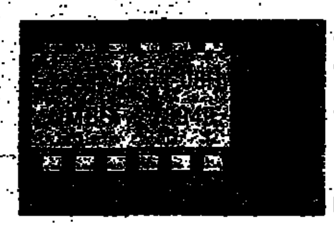
FINANCIAL TIMES

World Business Newspaper http://www.FT.com — MONDAY AUGUST 25 1997

Start the week with...



Silicon Valley

Internet drives a new wave of growth

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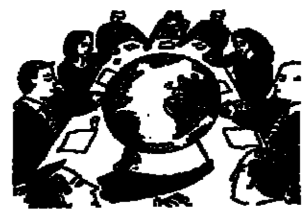


Scenario Planning

Predicted to make a comeback

Page 8

Credit Ratings

How credible are the big two agencies?

Page 12

IMF opens talks with Albania on emergency aid

The International Monetary Fund is to open talks today with Albania on the terms of an emergency economic support package. Agreement with the IMF on guidelines for economic policy is a crucial first step if Albania is to secure the backing of aid donors, including the World Bank and the European Union, to begin reconstruction after months of civil conflict triggered by the collapse of fraudulent pyramid finance schemes. Page 14

UBS predicts £100bn UK buy-backs: British companies could buy back £100bn ($163bn) of their own shares over the next few years as they switch from equity to debt finance, research by Union Bank of Switzerland shows. Page 16

Training role for Vauxhall chief: Nick Reilly, chief executive of General Motors' UK arm, Vauxhall, is to head a UK government drive to improve standards among the private companies that provide £1.4bn ($2.3bn) a year of publicly-funded training. Page 5

Curb on Schiphol night flights: Schiphol airport, Amsterdam, the fourth busiest in Europe, is to be closed to new services at night after the Dutch government acted to curb a breach in its agreed noise impact on nearby residents. Page 2

Israel seeks Japanese investment: Israeli prime minister Benjamin Netanyahu is to meet his Japanese counterpart, Ryutaro Hashimoto, in Tokyo in an effort to attract investment from Japanese companies. Page 3; Lex, Page 14

Israel Chemicals 32% ahead: Israel Chemicals, the export-driven chemicals group, said rapidly growing sales of more profitable products helped boost interim net profits by 32 per cent to $51.9m. Page 17

Specialist funds fall from favour: Specialist funds which back insurance syndicates at the Lloyd's of London insurance market have fallen out of favour with stock market investors despite bumper profits. Page 15

CCT Telecom seeks $258m: CCT Telecom, Hong Kong-based manufacturer of telecommunications equipment, is to raise HK$2.01bn (US$258m) through a rights issue to fund expansion in mainland China. Page 14

Japan may send food to North Korea: Japan will consider providing food aid to famine-stricken North Korea, following agreement between the two countries to resume talks on normalising relations. Page 3

Tatung to raise output from Telford: Taiwanese electronics company Tatung plans to double its output of televisions and computer monitors at Telford in the English midlands because of expected strong demand in Europe. Page 5

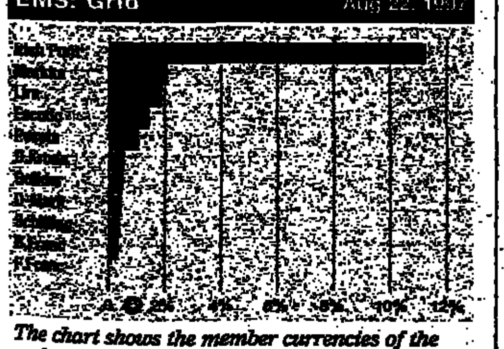
W.H. Smith candidate: Former Burton Group director Stuart Rose emerged as the leading outside candidate to head UK retailer W.H. Smith, whose chief executive resigned in June. Page 15; More questions than answers, Page 16

Shippam taken over by management: Shippam, the 247-year-old UK fish paste company, is to be reorganised and its workforce cut following a takeover by a management team for a reported £15m ($24.5m). Page 15

Schumacher wins Belgian grand prix: Germany's Michael Schumacher, driving a Ferrari, won the Belgian grand prix. Italy's Giancarlo Fisichella was second in a Jordan-Peugeot and Mika Hakkinen of Finland was third in a McLaren-Mercedes. The win increased Schumacher's lead in the drivers' world championship to 12 points.

England win final test: England beat Australia in the final cricket test at the Foster's Oval, London, by 19 runs at the weekend. Australia retained the Ashes by winning the six-match series by 3-2. Scores: England 180 and 163; Australia 220 and 104.

European Monetary System: The D-Mark and the Dutch guilder swapped places in the EMS grid last week. All currencies except the Irish punt are now well within their unofficial 2.25 per cent fluctuation bands against the grid's weakest currency. Currencies, Page 21



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Waigel presses for reshuffle

Kohl back from holiday to face crisis

By Frederick Stüdemann in Berlin and Ralph Atkins in Bonn

Theo Waigel, Germany's finance minister, will today repeat his call for a cabinet reshuffle, adding to growing tension within the country's ruling centre-right coalition.

In an interview in Germany's Focus magazine, Mr Waigel claims a reshuffle would improve the coalition's chances of winning next year's national elections.

The comments add to the pressure on Helmut Kohl, the German chancellor, who returns from holiday today to face a crisis that threatens to upset the balance of the three-party coalition.

The political uncertainty comes against a background of concern on international financial markets that German interest rates may have to rise to keep the lid on inflation.

Mr Waigel said in a television interview broadcast last week he wanted to relinquish his current job after the elections, and hinted he was interested in another senior cabinet post.

In the Focus interview he says he discussed the prospects for cabinet changes with Mr Kohl last week and he believes the chancellor will not disappoint his expectations of a reshuffle.

But Mr Kohl's Christian Democratic Union yesterday talked down the possibility of changes in the government.

Peter Hintze, CDU general secretary told Welt am Sonntag, the Sunday newspaper: "The cabinet does highly efficient work. There is no need for a reshuffle". In a separate interview he said talk about cabinet personnel changes was "absolutely superfluous". Mr Hintze is close to Mr Kohl and it is unlikely his comments were made without the agreement of the chancellor.

Among the scenarios being discussed by observers is the creation of a "super ministry" combining the finance and economics portfolios, a merger of the social and health ministries and the sacking of the interior and construction ministers. The government yesterday denied these reports.

Mr Waigel, who also heads the Bavaria-based Christian Social Union, is believed to have an eye on the foreign ministry. The post has been held for nearly 30 years by the liberal Free Democratic party which has already indicated it would strongly resist any proposals for a change.

Mr Kohl has in the past been adept at sitting out political storms. But Mr Waigel's comments have further damaged a government which, after its failure to push through much needed reforms, looks tired just as the September 1998 election campaign starts to get under way.

Relations between the chancellor's CDU and the CSU have already been strained by the issue of European economic and monetary union. Edmund Stoiber, Bavarian prime minister and senior CSU figure, has repeatedly said Emu should proceed only if the public sector debt target of 3 per cent of gross domestic product, set for entry into a single currency, is met exactly. This appears unlikely.

Mr Kohl would have to move quickly to effect a reshuffle. Ideally, any cabinet changes would be made before the Bundestag, the lower house of parliament, reconvenes on September 8.

CDU leaders meet on Wednesday, followed on Thursday by a cabinet session. A more critical meeting for Mr Kohl could be a joint CDU/CSU strategy session on September 4 which will draw up plans for the 13 months leading up to the national elections.

Editorial Comment and Observer, Page 13

British PM and Sinn Féin chief expected to meet

By David Wighton, Political Correspondent

The first meeting between a British prime minister and a leader of Sinn Féin, the political wing of the outlawed Irish Republican Army, is expected to take place within the next few weeks.

Tony Blair has decided to put the prestige of his office as prime minister on the line by talking to Gerry Adams, the Sinn Féin president, on the Northern Ireland peace process.

The historic meeting is likely to follow shortly after Sinn Féin joins the all-party talks on Northern Ireland's future next month.

Agreeing to meet Mr Adams is seen as an inevitable consequence of the government decision to admit Sinn Féin to the talks which is expected to be announced this week.

But by associating himself personally with Sinn Féin's rehabilitation, Mr Blair risks great political damage should the process fail.

The prospect of a meeting between Mr Blair and Mr Adams was met with resignation yesterday by the Ulster Unionists. Mr John Taylor, the party's deputy leader, said it was "part of the process of the government giving in, almost on a daily basis, to the demands of the IRA".

Two weeks ago Ken McGuinness, the Ulster Unionist security spokesman, met Martin McGuinness, Sinn Féin's chief negotiator, in the two parties' first ever television debate.

Downing Street yesterday denied there were any plans for a meeting with Mr Adams, but the government has made clear Sinn Féin would be treated no differently from other political parties once admitted to the talks.

Mo Mowlam, the Northern Ireland secretary, will this week complete her assessment of whether the conditions for Sinn Féin joining the talks have been met following the IRA's declaration of a

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Futures markets waive fees for bund trading

By Vincent Boland

Europe's two largest futures and options exchanges have raised the stakes in their battle for market leadership ahead of European monetary union by offering a "fee holiday" on Europe's most actively-traded bond futures contract.

The moves by the London International Financial Futures and Options Exchange (Liffe) and the Deutsche Terminbörse (DTB) in Frankfurt came as the DTB claimed a big increase in its share of trading in futures contracts on long term German government bonds, or bunds, which are widely seen as the benchmark for Europe-wide interest rates after Emu.

The DTB said on Friday that from September 1 until the end of the year it would waive its fees for trading in futures and options on 10-year bunds, as well as futures on Schatz, or two-year German government bonds. It also said it would not charge any fees for trading in Bobl – or five-year German government bonds – futures and options until March 6 next year.

At the same time Liffe announced it would not charge fees on its new Bobl futures and options when trading starts on September 18. The exemption would also apply to trading in Liffe's existing bund futures and options.

Competition between the two exchanges has taken on a sharp edge since last month, when Daniel Hodson, chief executive of Liffe, described it as "war". The term angered the DTB and Matif, the French exchange. Earlier this month, the DTB extended trading hours to match Liffe's.

The DTB said it was "now marching to a 48/49 per cent share" of total bund business, compared with 28 per cent a year ago. The exchange claimed to be ahead of competitors "across the entire spectrum of German fixed income derivatives".

However, it acknowledged that Liffe had "a broader range of products in the interest rate area".

As well as fighting for market share, both exchanges are seeking to prove that their methods of trading are superior. The DTB is an electronic exchange while Liffe employs an open-outcry system.

"This renewed competition between the two exchanges over the same product is intended to demonstrate the superiority of electronic

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A million gather as the Pope celebrates mass

Senior clerics at a mass celebrated by the Pope at Longchamp racecourse near Paris yesterday. The event, attended by an estimated one million people, came on the last day of the Pope's visit to France and marked World Youth Day Reuters

Bosnian Serbs set up rival authority

By Guy Dinmore in Banja Luka

The Bosnian Serb power struggle between rival nationalist factions has split the Serb-controlled territory between two parallel governments with strongholds in the west and east, supporters of President Biljana Plavsic said yesterday.

Her rivals in the Serb Democratic ruling party, followers of the former president, Radovan Karadzic, an indicted war crimes suspect, said on Saturday they would not recognise a new interior minister appointed by Mrs Plavsic and would no longer accept decisions or acts by her. Yesterday Milan Dupor, the president's legal adviser, accepted that the Serb entity within Bosnia had split into two halves.

"The survival of Republika Srpska is at stake," Mr Dupor said in an interview in Banja Luka, Mrs Plavsic's stronghold in northwest Bosnia. He said that parliamentary elections called by Mrs Plavsic for October should heal the divisions and lead to a more moderate government committed to implementing the US-mediated peace accord that ended Bosnia's civil war in 1995.

With the help of Nato-led forces, Mrs Plavsic last week took control of all police institutions in Banja Luka, Bosnia's second biggest city. Her position was strengthened when journalists of the hardline nationalist radio and television network said they would no longer help to broadcast the "primitive" propaganda ordered by Mr Karadzic's faction, based in the eastern town of Pale.

About one-third of the ruling Serb Democratic party's local Banja Luka leadership has resigned in sympathy with Mrs Plavsic, who is forming her own party.

Bosnian Serb generals warned last week that they would not stand by to watch the territory be divided by Nato's support for Mrs Plavsic. Western officials dismissed any possibility of intervention by the weakened Bosnian Serb army which is under tight Nato control. Serb generals had previously remained neutral in the power struggle and some senior officers are believed to be still loyal to Mrs Plavsic.

● UN war crimes investigators want to examine hundreds of tapes used in an eavesdropping operation by Bosnian Serb police, Reuters reports from Sarajevo. International police monitors found telephone-tapping equipment last week in a Banja Luka police station run by officers opposed to Mrs Plavsic.

CONTENTS

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Dutch government approves measures to try to prevent airport noise rising above agreed level

Tighter night flight curbs at Schiphol

By Gordon Cramb in Amsterdam

Amsterdam's Schiphol airport, the fourth busiest passenger hub in Europe, is to be closed to new services at night after the Dutch government acted to curb a breach in its agreed noise impact on local residents.

The 11pm to 6am ban will also force the rescheduling or cancellation of existing flights which use the noisiest types of aircraft, such as older DC-10s. Slightly less intrusive types of big jet, including older Boeing 747s, will be allowed to land during curfew but not take off.

The measures, agreed by the cabinet and subject to parliamentary approval this week, are due to come into effect in October.

They are in response to the granting of an injunction sought by Schiphol carriers and freight handlers against restrictions which the airport had intended to impose.

Haarlem judges ruled this month that only Annemarie Jorritsma, the transport minister – rather than the airport itself – was entitled to bring in such limitations, although these were necessary to enforce a legal requirement that the airport should stay within specified noise limits.

Growth in traffic, along with difficulties in interpreting the environmental impact data, mean that Schiphol is up against its 1997 decibel quota.

The delay until October means the summer schedules of charter operators will remain intact. But environmental groups say they will take Mrs Jorritsma to court if the noise ceiling is breached.

Charter and cargo companies face the most disruption.

Ground handlers say as many as 25,000 jobs are at risk if Schiphol remains subject to the curbs.

But the FNV, the Netherlands' main trade union federation, maintains that employment can grow within the existing environmental standards, and rejects as too costly the suggested creation of an artificial island in the North Sea for a new airport.

"It will cause much pain and lead to upheaval," Mrs Jorritsma said of her measures, which also involve appointing an independent authority co-ordinator to allocate slots, by day as well. State-owned Schiphol will thus join Heathrow and Frankfurt as a "co-ordinated" airport – where take-off and landing slots are to be apportioned – but will be the first important hub in the European Union to be given that status on environmental grounds rather than lack of runway or terminal capacity.

Take-off and landing rights are to be apportioned in a way likely to be difficult for newcomers.

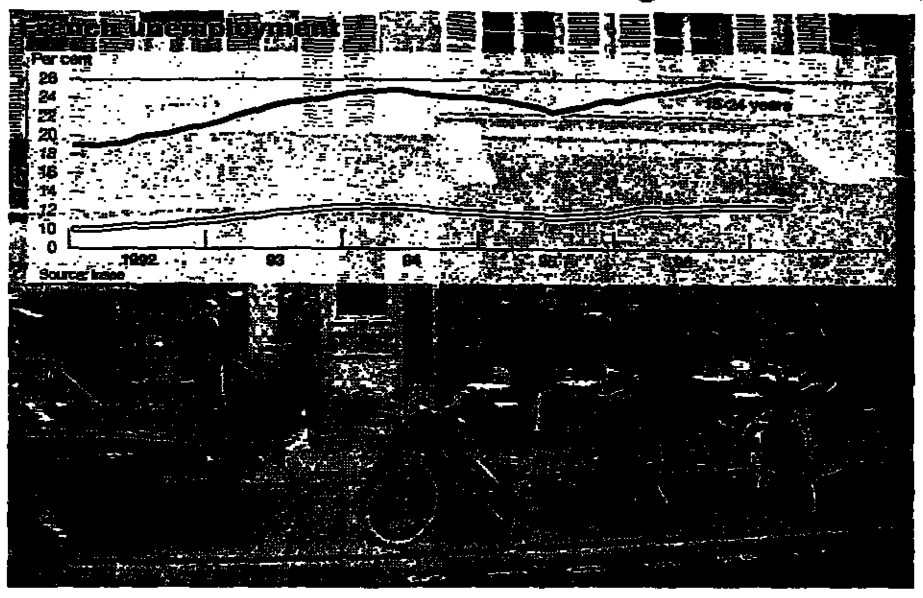
There were fears at the weekend that the moves might leave KLM, the Dutch flag carrier, vulnerable to retaliatory measures from authorities in other countries.

■ Greenpeace, the environmental group, at the weekend extended its campaign against energy exploration by occupying a site in the Wadden Sea, a Dutch tract of tidal mudflats where Shell and Exxon have been seeking to drill for gas.

The site is just outside an area which a judge in the Friesian capital Leeuwarden in April provisionally declared off-limits to NAM, a joint venture between the two oil majors. The Greenpeace move came as NAM sought to move a rig to the site to begin test boring.

Business Travel, Page 10

Jospin's job plan may only give short-term relief to French youth



Odd job men for the elderly; companions for children on long journeys; welcomers for prison visitors. Are these the sorts of jobs to solve the chronic unemployment problem that has become France's main economic and social scourge and contributed heavily to the centre-right's surprise general election defeat in June?

Lionel Jospin's new Socialist-led government evidently believes that they are. Last week it unveiled a bill that will be the centrepiece of its early legislative programme, aiming to create 350,000 public sector jobs over three years, in part fulfilment of its campaign promise to create 700,000 "real" jobs for young people.

According to Martine Aubry, employment and solidarity minister, the government's plan is essential to restore hope to France's disillusioned youth. A 76-page document accompanying the bill talks grandly of "facilitating the progressive emergence of a new model of growth and development".

The basic idea behind the new legislation – which will be the first bill debated when parliament reconvenes next month – is that French society harbours many needs that neither the public nor private sectors have, until now, proved able adequately to meet.

These stem from either shortcomings in existing public services or changes in society, such as the ageing of the population and the breakdown of traditional family structures. The new jobs will be designed to address some of these needs.

The government believes that, since the tasks are not being properly performed and since the definitions of the new jobs will be carefully drawn, there is little or no danger that they will simply provide cheap substitutes for existing, unsubsidised jobs.

It also insists that the cost of the programme, which will reach FFr10bn ($1.6bn) next year before rising to an annual FFr35bn, can be met without adding to overall public spending.

The jobs, which will be targeted primarily at those aged under 26, will be paid at the minimum wage. Funding equivalent to 80 per cent of this will come direct from the state.

There is no doubting the need for new jobs. More than 3m people are out of work, with the cumulative rise in the number of jobless in May and June reaching nearly 50,000. The situation is particularly serious among the 15 to 24 age group where about one in four is unemployed.

But can this attempt to reduce unemployment by temporarily subsidising the provision of services actually work?

In the short term the answer is probably Yes; the education ministry has already indicated it will take on about 75,000 young people in the 1997 and 1998 period. Indeed one of the concerns of leading centre-right figures such as Jacques Chirac seems to be that the plan may work all too well. The French president last week warned against "a massive creation of permanent public jobs" as the bill was presented in cabinet.

But many observers are sceptical. Eric Chaney, senior economist with Morgan Stanley in Paris, says the net impact could eventually make unemployment higher rather than lower. He believes many of those trying to re-enter the labour market at the age of up to 30 after five years of doing one of these jobs may find the going tough. "Labour economists have an eloquent word for the negative side-effects of targeted labour policies: stigmatisation," he says. "In the short term, the job plan could be successful, but in the medium term, the risk is of a total backfire."

The centre-right's Nicolas Sarkozy predicts a different but equally damaging "infernal spiral". "The massive creation of public jobs will lead inevitably to an increase in public spending and therefore taxes," he says. "This increase will penalise companies and consumption and lead to a reduction in the number of private and commercial jobs offered to young people."

In the final analysis much will depend on whether the jobs envisaged by the new plan become valued enough to be maintained once the hefty government subsidy has disappeared. It is certainly the government's aim to make them so. As the document accompanying the bill explains: "This [five years] period must be used to find diverse sources of finance to perpetuate the projects" from the public and private sectors.

Some argue, however, that the government would have been better advised to try to harness private initiative from the outset. In Mr Chaney's view, the best course of action would have been to "subsidise" the private sector.

The focus will switch to the private sector, where the government hopes to create the other 350,000 promised jobs, in September or October when a showpiece conference involving business and the trade unions is planned.

Details of this side of the government's plans remain sketchy, although Dominique Strauss-Kahn, finance minister, has hinted the government may offer tax incentives to companies in return for investment and job creation measures.

Many observers also hope that this conference will also start to address the serious structural logjams, such as high non-wage costs and lay-off restrictions, that are widely seen as a prime underlying factor behind the country's unacceptably high unemployment.

David Owen

Three Gorges prizes go to Europe

By James Harding in Shanghai

China yesterday formally confirmed the award of the first contracts to supply power generation equipment to the Three Gorges Dam, the world's largest hydroelectric project, to consortia led by leading European engineering companies.

The contracts for the 14 generating units are worth $740m, slightly lower than bidders had previously forecast, reflecting the fierce competition to secure deals in the early stages of the project that will span the Yangtze river.

GEC Alsthom, the Anglo-French group, and ABB Power Gen of Switzerland have been asked to provide eight power units, comprising turbines and generators, at a total price of $420m. Kvaerner of Norway and Harbin Electric Machine, a Chinese company, will be the leading subcontractors for the eight units.

The contract for the other six units, valued at $320m, has been awarded to the consortium which includes Siemens of Germany, Voith Hydro and General Electric of Canada. Another Chinese engineering enterprise – Dongfang Electric Machine – will be the chief subcontractor for the manufacture of those six units.

The portion subcontracted to the Chinese enterprises, Dongfang and Harbin, account for 31 per cent of the total contract price, according to a statement from the China Yangtze Three Gorges Project Development Corporation, which is overseeing the construction of the $30bn project. The consortia that have won the contracts have agreed to carry out technology transfer to the two Chinese companies.

The 14 hydro turbine generating units will have an installed capacity of 700MW each and a total installed capacity of 9,800MW. In all, 26 power units will be required by the Three Gorges Project. Three Gorges officials have reported that the further 12 units are likely to be built in China.

Construction of the Three Gorges project is due to be completed in 2009, when the hydroelectic plant will be able to provide the equivalent of one tenth of China's electricity output. The project, which will require over 1m people to be rehoused, has been widely criticised by environmental groups.

Turks bar Kurd 'peace train'

By John Barham in Ankara

The Turkish government has prevented a "peace train" chartered by a German pro-Kurdish organisation that would include the South African Nobel Peace prize laureate Archbishop Desmond Tutu among its 300 passengers from travelling across Europe to its planned destination of Diyarbakir, capital of the mainly Kurdish south-east of Turkey.

Germany's Hanover Appeal chartered the train, which was to have left Brussels tomorrow to draw international attention to the need for a peaceful solution to the 13-year conflict in the region. The organisers accuse Turkey of piling diplomatic pressure on Germany and the Balkan countries to prevent the train crossing their territory on its week-long journey.

Government officials denounced the peace train as an initiative inspired by the Kurdistan Workers party (PKK). Organisers said Ankara had forced Bulgaria, Romania and Yugoslavia to block the train. Germany's state-owned railway company, Deutsche Bahn, refused to charter the train because these countries would not allow it to use their networks.

As well as Archbishop Tutu, passengers were to include Mrs Danielle Mitterrand, widow of the former French president and a veteran supporter of the Kurdish rights campaign. European, Turkish and Kurdish artists, writers and politicians were also expected.

Although cancellation of the peace train was a minor triumph for Ankara and diplomats admit that European pro-Kurdish groups are sometimes linked to the PKK, the government's tough line has disappointed those hoping for a more flexible approach to the Kurdish insurgency. Analysts say the policy of successive governments, usually acting at the behest of the powerful military, to crack down on all moderate Kurdish nationalist parties and organisations has by default made the PKK virtually the only political organisation with legitimacy among most Kurds.

Mesut Yilmaz's two-month-old secularist government has said it plans to abolish emergency rule in nine predominantly Kurdish provinces as part of a wider normalisation policy towards the region and has promised to improve the country's human rights record. Emergency rule grants the security forces sweeping powers to combat the PKK but human rights campaigners say troops habitually abuse these powers to violate basic rights.

However, fighting continues to rage in the south-east, where over 26,000 civilians, soldiers and guerrillas have died since the PKK's uprising started in 1984.

And parliament's decision two weeks ago to grant partial amnesty to newspaper editors jailed for breaking the country's security laws by publishing news and commentary on the Kurdish conflict also disappointed campaigners for freedom of speech when only six prisoners were released. Under the amnesty law they could be re-imprisoned if they commit the same offence within three years.

Cyprus confirms missile plans

The Greek Cypriot government said yesterday that it would go ahead with plans to install Russian air defence missiles next year in spite of Turkish threats of a military strike if the weapons are deployed, John Barham reports.

Yannikis Cassoulidis, foreign minister, said: "There is no question of postponing the deployment of the missiles."

His statements indicate that the risk of conflict on the island remains as great as ever, after the collapse last week of United Nations-sponsored peace talks in Switzerland between leaders of the island's Greek and Turkish communities.

The internationally recognised Greek Cypriot government ordered the Russian-made S-300 anti-air missiles in January. Ankara, which stations 30,000 troops in Turkish northern Cyprus, said "they will be hit" to prevent them threatening mainland Turkey.

Mr Cassoulidis told the conservative newspaper Agon that "various western countries, including the US, are disgruntled with the purchase of the Russian missiles, but the S-300 will be deployed unless the reasons for which we were obliged to order them no longer exist".

Diplomats fear that Turkey and Greece could be drawn into conflict over Cyprus.

However, commentators believe the Greek Cypriots announced the purchase more as a political manoeuvre to draw attention to the continuing 23-year division of the island since the Turkish army invaded it in 1974.

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Customs blow for EU importers

By Michael Smith in Brussels

European garment importers are protesting to the European Commission in Brussels after being told they face heavy back-dated customs duties because of an alleged fraud in Bangladesh.

They claim they are blameless victims of the fraud, which is alleged to involve the falsification or erroneous use of export documents.

The importers blame the Commission and the Bangladeshi authorities for failing to police properly a scheme allowing clothes to enter the European Union with zero or concessionary customs duties under the Generalised System of Preferences (GSP).

The Commission has told importers that back-dated duties are part of the commercial risk of business and believes that some of the importers knew the documents were potentially problematic, when they accepted them.

It wants the Bangladeshi authorities to cancel the documents and is expected to instruct European customs authorities to recover the money from the importers. It is thought the back duty could amount to tens of millions of dollars and, according to Bangladeshi estimates, could be as much as $100m.

Bangladeshi exporters fear the importers will try to pass the demand for back payments to them, leaving them with a choice of paying up or losing valuable custom. European importers believe they will be left to shoulder the burden.

"There is very little chance the Bangladeshis will pay the full amount," said Dr Stefan Wengler, a director of the Brussels-based Foreign Trade Association. "Some European companies will suffer severe financial hardship unless a compromise can be reached with the Commission."

The dispute follows the discovery last year by the EU of nearly 7,000 allegedly fraudulent or falsified certificates. Under the GSP goods such as knitted products from less developed countries are exempted from import duties or can be imported at concessionary rates provided the raw material originates in the exporting country.

However, an EU delegation to Bangladesh last year found that the raw material for many of the knitted products sent to Europe was imported from abroad.

The British Importers' Association said it was unfair that importers should have to pay for the shortcomings of a scheme that had been put together by the Commission and the Bangladeshi authorities. "The buck should stop with them," said Chris Starns, director. "It is not the fault of our members."

EuroCommerce, the European retailers' group, has called on Brussels to declare an amnesty on the customs duties. "Most importers had little or no possibility to check the origins of certificates," it said. The Commission believes some importers turned a blind eye to the problem. It says it is common practice for responsibility to rest with importers when fraud is discovered.

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INTERNATIONAL NEWS DIGEST

Clinton makes 'fast-track' plea

President Bill Clinton launched his campaign for a continent-wide Free Trade Accord for the Americas by appealing to Congress this weekend to grant him the mandate to negotiate new trade agreements.

In his weekly radio address, from his holiday home in Martha's Vineyard, off the coast of Massachusetts, Mr Clinton said he would formally ask Congress in September for "fast-track" authority, which allows him to conduct trade negotiations without the cumbersome risk of a line-by-line legislative veto.

Under fast-track, Congress gives up its power to amend trade agreements, voting only for or against the whole package.

Anticipating tough opposition from labour unions and his own Democratic party to further trade negotiations, Mr Clinton said: "If we don't seize these new opportunities, our competitors surely will."

More than 25 per cent of US economic growth, he said, had come from overseas trade in the past four years. Fast-track authority would "help to ensure that American companies and workers compete in the global economy that is open, with a level playing field, with rules that are fair and enforced".

The Republican-controlled Congress has refused to renew the president's fast-track mandate since 1994, due to the controversy over Mexico's admission to the North American Free Trade Area and disagreements about whether labour and environmental issues should form part of trade agreements. *Leslie Crawford, Washington*

■ ZAMBIA SHOOTING

Kaunda 'assassination' bid

Aides of Kenneth Kaunda said the former president of Zambia was the target of a failed assassination attempt by police as he attempted to address an opposition party rally at the weekend. Mr Kaunda was struck on the forehead by a bullet as police fired on his car, said an official of his United National Independence party (Unip), adding that his life was not in danger.

A Unip official said the party had learnt that President Frederick Chiluba's ruling Movement for Multiparty Democracy had plans to "eliminate" Mr Kaunda.

Mr Kaunda, 73, was recovering in hospital guarded by party supporters. Roger Chongwe, chairman of the National Opposition Alliance, which includes Mr Kaunda's party, was also shot and wounded at the rally in Kabwe, a central Zambian garrison and mining town 150 km north of the capital, on Saturday.

Mr Kaunda was ousted in elections in 1991 but remains a key political figure and critic of Mr Chiluba, who succeeded him. Mr Kaunda has slammed the government's attempts to restrict the media and emasculate the judiciary. *Agencies, Lusaka*

■ SECURITY COUNCIL

Brazil-Argentina row calmed

Brazil and Argentina appear to have smoothed over a diplomatic row that erupted last week over conflicting bids for a permanent seat on the United Nations Security Council. Presidents Fernando Henrique Cardoso and Carlos Menem, meeting at a summit of the 14-nation Rio Group at the weekend, said the issue must not be allowed to weaken ties within the Mercosur trading group, whose other members are Paraguay and Uruguay.

Mr Cardoso said Brazil and Argentina shared the same objective at the UN: "We want a vote, a voice and a veto. We want full participation for the country or countries that come to represent our region."

His comments suggest a change of tack in Brazil's campaign for a permanent seat on the Security Council and imply a willingness to consider Argentina's proposal that the seat should rotate between Latin American countries.

Mr Menem angered the Brazilian government last week when he said a permanent Brazilian seat would "upset the balance" of power in the region. His comments were taken by some in Brazil as reflecting US efforts to weaken ties in Mercosur at the expense of a proposed Free Trade Area of the Americas. *Jonathan Wheatley, São Paulo*

Brazil keeps investors guessing, Page 18

■ TRADE GAP

Mexico reports a deficit

Mexico has reported its first trade deficit since the country's peso devaluation over 2½ years ago. In preliminary figures for July, the Finance Ministry registered a deficit of $20m. Exports in July totalled $9.4bn, the highest monthly total in the country's history.

A move into the red during the course of this year had been widely expected. The recent strength of the peso has caused exporters to complain and has made imports cheaper for Mexican purchasers.

The biggest increase in imports was for consumer goods, up 43.8 per cent on the same month a year before. The figures also showed an increasing disparity between the tax-exempt assembly plants known as maquiladoras, which increased exports by 26.9 per cent, and the rest of manufacturing industry, which increased exports by 14.9 per cent. *Daniel Dombey, Mexico City*

■ KASHMIR CLASH

Border firing kills six

Pakistan and India accused each other yesterday of unprovoked cross-border firing in the disputed Kashmir region, killing at least six people, and of trying to scuttle planned peace talks between the two rivals.

Pakistani officials said Indian troops fired artillery and mortars along the military control line in the Himalayan region for the second day running, killing four people and wounding several others in two days. India acknowledged two of its soldiers were killed.

An Indian foreign ministry spokesman in New Delhi accused Pakistan of unprovoked firing and denied Islamabad's charge of aiming to sabotage a third round of peace talks there set for next month. A Pakistan defence ministry spokesman yesterday denied an Indian charge of unprovoked Pakistani firing in the Kargil and Uri sectors of Kashmir.

Islamabad and New Delhi in June agreed to negotiate the future of Kashmir, whose disputed ownership has been the object of two of the three wars fought between the two countries since they split at independence 50 years ago. The move was part of a broad agreement reached by the two countries to place all "outstanding issues" between them on the table for negotiation. *Reuters, Islamabad*

■ JAMAICA PRISON RIOTS

15 die after jail strike

Fifteen prisoners have been killed in several riots over the past three days in Kingston's main prison, following a strike by warders. About 15 others are being treated in hospital. The warders have ended the strike, but prison officials said the situation at the city's general penitentiary was "tense and chaotic."

Most of the inmates were killed by knives stolen from the prison's kitchen during the warders' strike. The strike followed a statement from John Prescod, head of the correctional services, that warders and inmates would be given condoms in an attempt to prevent the spread of the AIDS virus. The warders claimed that the offer of condoms implied that they were having affairs with inmates. *Canute James, Kingston*

Talks open way for Tokyo to consider humanitarian aid

Japanese to soften line on N Korea

By Gwen Robinson in Tokyo

Japan is set to soften its hardline stance against food aid to famine-stricken North Korea, after the two countries agreed in Beijing on Friday to resume talks on normalising links.

Yukihiko Ikeda, Japanese foreign minister, said yesterday that "major strides" achieved in last week's informal talks had improved circumstances "sufficiently" for Japan to consider humanitarian aid.

Japan's uneasy relations with the secretive communist state have deteriorated since official normalisation talks were suspended in 1992, following Tokyo's accusations that North Korean agents had abducted Japanese nationals.

Since then Japan has protested about several other issues, including Pyongyang's nuclear weapons programme and test firing of missiles in Japanese waters, and its refusal to allow Japanese wives of North Korean men to return to Japan to visit relatives.

Both countries have refused to negotiate bilaterally. But the famine in North Korea has generated intense international pressure on Japan – notably from the US – to provide food aid. The diplomatic pressure and publicity about Japan's stance was becoming "highly embarrassing," a Japanese government official admitted yesterday.

Japan's deep-rooted concerns about North Korean nuclear developments have also generated debate about shifting to a less hardline stance to encourage greater co-operation.

Friday's talks nearly stalled because of Pyongyang's demands for more food aid than Japan was prepared to give in exchange for an agreement on home visits for wives. The breakthrough came when negotiators agreed to establish a liaison committee within 10 days through Red Cross societies in both countries.

About 1,830 Japanese women are believed to have accompanied their husbands to North Korea after the Korean war, under a repatriation agreement concluded in 1959 to enable North Korean nationals living in Japan to return home.

The first wives are expected to visit Japan by late September, the first time Japanese spouses of North Korean nationals will have received permission to leave the country for home visits.

Mr Ikeda said North Korea also agreed in Friday's talks to co-operate with investigations into the alleged abduction of Japanese nationals and the safety of Japanese residents in North Korea.

"The agreement in general was what Japan had hoped for, and I think the talks were very meaningful. But it is now entirely up to both sides whether we realise it or not," he said.

Kenyan sugar growers reap bitter harvest

Illegal dumping on a massive scale has triggered a crisis in the industry, writes Michela Wrong

The good times have returned for Kenya's sugar workers, but the reprieve may be only temporary

At the Mumias sugar factory in Kenya's Western province, the mood is cheerful after weeks of tension. "This is what we like to see: lorries queueing up outside the factory and bags disappearing. It's when the stocks pile up and no one comes to collect them that we worry," says a worker.

A delegation of foreign lawyers and economists that arrived in Nairobi at the weekend will decide whether that cheerfulness endures or evaporates. The International Monetary Fund's latest mission to Kenya could determine whether the sugar industry, on which 3m people depend for their livelihoods, collapses or survives.

For the Fund, President Daniel arap Moi's decision last month to remove the country's top customs official as he was investigating sugar smuggling was the last straw, prompting an institution grown weary of the sleaze factor in Kenyan politics to suspend a $220m loan agreement.

Now the IMF is back, responding to a personal appeal from a president perhaps taken aback by the disastrous impact suspension has had on the economy.

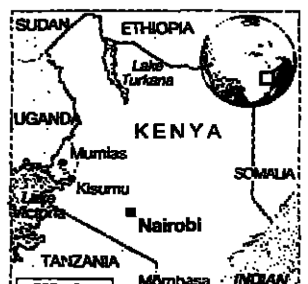
But while legal action to punish 11 offenders has been announced, few in the sugar world believe it is enough to halt the practice that has triggered the most serious crisis in the industry's history: massive illegal dumping of imports by businessmen with links to the highest echelons of government.

"A few weeks ago, just when the industry was on the point of collapse, the dumping eased," says an industry analyst.

"But we understand there are tens of thousands of tonnes of sugar lying in warehouses in Mombasa. Once the shilling strengthens, we expect them to be released on the market and the whole thing will start again."

The reason, cynics say, is simple. Elections are due in Kenya by the end of the year and the ruling Kanu party needs cash. The new independent status of the Central Bank and its governor's tight management have cut off a traditional avenue. What printing of money did for the 1992 elections, sugar dumping will do for the 1997 polls.

Allegations that part of the smuggling profits helps fund Kanu's electoral campaign are made in private by senior government officials as well as industry workers. "The story is that Kanu is filling its war-chest," says a sugar farmer. "If that is true, there can be no halt until the elections are over. These guys are both greedy and shameless."



First launched as a cash crop three decades ago, sugar has thrived in the abundant rainfall of Western and Nyanza provinces bordering Lake Victoria.

By the 1980s, thanks to a network of outgrowers with average holdings of less than a hectare, Kenya was self-sufficient in the commodity.

"This is a very good climate for sugar," says Norman Brooks, a member of Kenya's Sugar Authority, who owns a lime factory in Nyanza and boasts a small sugar farm. "Yields here are probably the best in the world. It could be the most profitable crop in the country."

Instead the sector today fails to meet annual demand of 550,000 tonnes. The smuggling problem, which has taken off in the past year, dealt a devastating blow to a sector already suffering from poor state management and political interference.

The scam goes into effect at the notoriously corrupt port of Mombasa, where importers claim the sugar is in transit, destined for Tanzania and Uganda, and therefore not liable to tax. They then release it at rock-bottom prices on the Kenyan market.

At its height the flood left sugar factories with unwanted stocks rotting in their warehouses. They reacted by slashing prices to levels where they could no longer make a profit, delaying payments to outgrowers and postponing cane harvesting.

Mumias, which produces more than 55 per cent of Kenya's sugar and is the biggest sugar factory in eastern Africa, has stubbornly continued paying the 44,000 farmers that depend on it.

But the importing of sugar on which duty has not been paid "cost us half a billion shillings in lost profit last year," estimates David Carter, Mumias' manager. "If this continues we will rapidly go bust and the industry itself could be destroyed."

The Kenya Union of Sugar Plantation Workers puts the total loss to the industry at more than Ks840m ($12m) this year.

A by-product has been a cooling of interest by foreign companies approached over the privatisation of the industry, another IMF loan condition which the government has been slow to comply with.

Few want to invest in a sector that risks going the same way as Kenya's cotton industry, which collapsed years ago through poor management.

While there is no shortage of complaints, the sugar lobby seems incapable of the kind of campaign other Kenyan groups mounted when systematic illegal dumping threatened their agricultural industries.

The explanation lies in the location of the country's sugar factories, in the heart of two provinces populated by the Luo and Luhya ethnic communities, stalwart opposition supporters. In 1992 Nyanza voted solidly against Mr Moi, while he barely scraped a victory in Western province.

The president has reserved particular suspicion for the Luos since Luo members of the air force staged an abortive coup in 1982.

Locals, angered by the government's failure to prevent the recent victimisation of "upcountry" citizens who had settled on the coast, regard the apparent willingness to see the sugar industry collapse as part of a long-term war of attrition against a group Nairobi views as intrinsically hostile.

"Kikuyu coffee farmers had a similar problem a few years ago, but when they complained action was taken," says Henry Okullu, a former bishop who now runs a civic education group in Kisumu, Nyanza's provincial capital.

"But when a Luo minister denounced the dumping last year he was immediately removed.

"Under this government there is a deliberate policy of neglect."

Netanyahu in Tokyo visit to boost business

By Gwen Robinson

Benjamin Netanyahu, Israeli prime minister, will today meet his Japanese counterpart, Ryutaro Hashimoto, and business executives in Tokyo in an ambitious effort to attract investment from large Japanese companies.

Mr Netanyahu, accompanied by one of the largest delegations of Israeli politicians and industrialists to visit Asia, will travel on to South Korea in a week-long trip to boost trade with the region.

His visit comes at a time of growing tension in Israel, as the Middle East peace process falters in the wake of a recent suicide bombing in Jerusalem's market and guerrilla attacks on northern Israeli settlements.

The Israeli premier's decision to proceed with his Asian trip reflects the priority he is putting on economic growth and foreign investment. He will discuss with Japanese business leaders his ambitious plans to privatise state enterprises and deregulate the economy "with a vengeance".

Japan has traditionally shown reluctance to strengthen links with Israel, primarily because of its heavy reliance on Arab states for oil. Security concerns over terrorist attacks and Arab-Israeli conflict have also deterred companies from direct investment.

Bilateral trade between Japan and Israel increased marginally to $2.5bn in 1996 from $1.9bn in 1994; when the late Yitzhak Rabin became the first Israeli leader to visit Japan and South Korea on a similar mission.

However, the figure is negligible in comparison with trade levels between Japan and other small and medium-sized trade partners. Japan accounts for only $27m worth of direct investment in Israel.

In Tokyo Mr Netanyahu is expected to push the government for Japanese landing rights for El Al, the state airline due to be privatised, and the establishment of direct air links with Israel. Japan has turned down previous requests.

He is likely to draw a more positive response from South Korean leaders when he lands in Seoul on Wednesday night.

Bilateral trade between South Korea and Israel grew more than 20 per cent last year and has grown further this year. Israel has also drawn direct investment from large Korean companies, including Samsung Electronics and Hyundai, and enjoys direct air links with Seoul.

First woman appointed to top Iranian post

Khatami: big victory

By Robin Allen in Dubai

Mohammed Khatami, Iranian president, has appointed a woman for the first time as one of the country's vice-presidents.

Massoumeh Ebtekar, 36, a US-educated associate professor at Tehran University, will be one of eight vice-presidents, seven of whom have already been confirmed.

Mrs Ebtekar, who headed Iranian delegations at recent meetings of the UN-sponsored world women's conferences in Nairobi and Beijing, will be responsible for the country's environmental protection organisation.

The votes of women in elections last year in large measure ensured a massive victory for Mr Khatami.

During his election campaign he promised to appoint a female cabinet minister, but has not honoured the pledge, largely because of the low number of women deputies.

One Iranian political analyst said numerical logic dictated the presence of a woman at vice-president level.

"Fewer than one-tenth of the 270 *majlis* [parliament] deputies are women. It would take 20-25 women at the level of deputy minister before there could be one female minister, so a vice-president is the most there will be for the time being."

Another analyst said there would be more women MPs but for the blocking power of the conservative-dominated Council of Guardians, which has the authority not only to veto parliamentary candidates but also to annul results.

The council exercised this power in 13 constituencies in last year's elections, notably in Isfahan and Malayer, while in Shiraz a popular woman candidate was forced out by the local clergy.

"The evolution of women to government positions will be a slow one," an analyst said. "The president on his own does not have the power to change that."

Although the contribution of women to Iranian political life is not reflected in their presence in official positions, they exert considerable influence at constituency level, particularly in Tehran, Isfahan, Shiraz and other provincial cities.

Faezeh Hashemi, the daughter of former president Ali Akbar Hashemi Rafsanjani, was, for example, the leading vote-winner in Tehran in last year's parliamentary election. She was a high-profile but ultimately unsuccessful candidate to be the first women minister. Zahra Rahnavard, the wife of former prime minister Mir Hussein Mussavi, is also much respected on the national stage.

Meanwhile, Mr Khatami is reported to have reconfirmed Mohsen Nourbaksh as central bank governor, among other appointments confirmed at the weekend.

Besides Mrs Ebtekar the other vice-presidential appointees confirmed or reconfirmed include Mohammed Hashemi, brother of former president Rafsanjani, as vice-president for executive affairs; and Mohammed Ali Najafi to be head of the important planning and budget organisation, a post which gives him a seat on the Supreme National Security Council, one of the key foreign policy-making institutions.

Mr Khatami had earlier confirmed Hassan Habibi as first vice-president, a post he has held since 1989 and, according to Iranian analysts, the only one of the eight vice-presidential positions apart from planning and budget to carry important executive functions.

Mr Habibi is acting president for Mr Khatami. He is also the secretary of the enlarged 36-member Expediency Council, an executive body which, under Mr Rafsanjani, is expected to be an important rival power centre to Mr Khatami and his cabinet.

Opponents of 'official' Mexican unions unite

By Daniel Dombey in Mexico City

Two months after historic elections that deprived Mexico's ruling party of its congressional majority for the first time in 68 years, another part of the country's traditional political system has come under threat.

A group of more than 100 unions representing 1m members has announced the creation of an organisation to compete with the "official" unions that have provided crucial support for the ruling Institutional Revolutionary party (PRI) for most of its history. The biggest unions involved previously belonged to pro-government organisations.

The announcement at the weekend underlines a significant change in the way Mexico is governed. Already, administration officials are questioning a business-labour-government agreement that has been used to control wages and prices over the last 10 years.

The agreement, known as the *pacto*, is traditionally announced in September or October and contains the rudiments of the budget for the next year. But with the lower house of Congress now in the hands of the combined forces of the opposition, and with the budget the hottest topic of debate, the government of President Ernesto Zedillo is unsure of its ability to deliver on *pacto* commitments.

At their first general meeting, on Friday and yesterday, the dissident unions made plain their hostility to the *pacto*. They also announced their opposition to new privatisations, to continued wage restraint and to the government's economic policy as a whole. The new union organisation, likely to be called the National Workers Union, will be set up in November.

"The government said it would provide for the welfare of workers and their families. It did not keep its word," said Francisco Hernández Juárez, the chief organiser of the new movement and formerly one of the union leaders closest to the government.

Mr Hernández Juárez said the organisation would work with the new Congress to alter Mexico's federal labour law to eliminate the government's role in authorising and arbitrating labour disputes.

Membership of PRI-affiliated unions is still effectively obligatory in many industries, although other aspects of Mexico's corporatist past are disappearing. Businesses no longer have to be full members of the pro-government chambers of commerce and industry, although they still have to register with them.

However, the pro-government Confederation of Mexican Workers still claims some 5m workers and several of the main unions which had worked with Mr Hernández Juárez declined to join him in founding the new organisation.

Beijing to embrace Asean in pursuit of a new order

Li: 'some attempt to bully weak'

A frisson of excitement rippled through the hall in Kuala Lumpur as diplomats huddled in conversation with colleagues from friendly nations and former cold war enemies. The subject of animated discussion was a speech just delivered by Li Peng, China's premier, which set out Beijing's policy toward south-east Asia.

The cornerstone of Mr Li's speech was that China would try to promote "a joint new and fair political and economic order" with the Association of South East Asian Nations (Asean), an increasingly influential diplomatic grouping of nine regional countries.

Although Mr Li avoided directly mentioning the US, it was clear that Beijing was hoping a new phase of solidarity with south-east Asia would provide a balance to Washington's traditional influence in the region.

"I think the current political and economic order in the world is not rational. Politically speaking, there exists inequality. Some countries attempt to lead the world and some also attempt to bully the weak and the poor," Mr Li told the audience in Kuala Lumpur.

Underlining his point, he said China supported a recent proposal by Mahathir Mohamad, Malaysia's prime minister, to review the universal declaration of human rights at the United Nations. Washington has expressed strong opposition to any such review, but Mr Li called Dr Mahathir's proposal "visionary and courageous".

Neither China nor Malaysia regards the human rights outlined in the declaration as necessarily universal.

The Chinese premier also attempted to ease widespread regional suspicions over China's territorial ambitions. He said the issue of Beijing's claims to the disputed Spratly Islands – a scattering of islets and reefs which span vital shipping lanes in the South China Sea – should be resolved peacefully, if not by this generation then by the next.

"We will not want to see [the Spratlys] becoming a burden to our relations," Mr Li said. Later, in a meeting with Dr Mahathir, he thanked the Malaysian leader for repeatedly rejecting the "theory of the China threat".

Diplomats said China's intention to seek a new order in south-east Asia should not be taken lightly, especially as it comes shortly after Beijing's $1bn contribution to a broad financial assistance package for Thailand, the first time China has participated in a regional deal of this kind.

Such signs of strengthening ties also precede a scheduled summit in December between Asean's leaders and those of China, Japan and South Korea. The summit, the first of its kind, is being styled as a one-off event to commemorate the 30th anniversary of Asean, but some south-east Asian diplomats have said they feel it should become an annual event.

If so, the summit would become the first top-level pan-Asian forum which does not involve the US even as a fringe participant.

But diplomats in Kuala Lumpur cautioned against too simplistic a reading of China's Asean initiative. They noted that Mr Li chose to deliver his address in Malaysia which, under Dr Mahathir, is renowned for its periodic outbursts of anti-US rhetoric. But in other Asean nations his speech may not have gone down quite so well.

Mr Li's support for a review of the universal declaration of human rights is unlikely to have received such a positive reception in the Philippines, a staunch US ally and Asean member which is embroiled in a Spratlys dispute with China.

Even Singapore, where an ethnic Chinese population has close ties with China, is a firm backer of the US military's presence in the region.

Indonesia, Asean's giant with a population of nearly 200m, also has a high-profile dispute with China over claims in the Spratlys. In Vietnam, centuries of uneasy relations have fostered suspicion of Chinese power.

"Too urgent an attempt to engage Asean at the expense of the US would be unlikely to bear fruit. It would also run the risk of creating divisions within Asean," one diplomat said.

And although the rapid growth of China's economic and military power suggests time may be on its side, it is as well to remember that the US remains the only true superpower. As Mr Li reminded his audience: "China does not have any aircraft carriers yet."

James Kynge

Mahathir: anti-US rhetoric

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 25.08.97 | Final Prices for Trading on 28.07.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	14.11	9.90	10.02	1.47
0100	13.65	9.90	10.02	1.47
0130	14.11	9.90	9.90	0.00
0200	13.65	9.90	9.90	0.00
0230	13.65	9.90	9.90	0.00
0300	13.65	9.90	9.90	0.00
0330	13.65	9.90	9.90	0.00
0400	13.65	9.90	9.90	0.00
0430	13.65	9.90	9.90	0.00
0500	13.65	9.20	9.20	0.00
0530	14.14	7.00	7.00	0.00
0600	13.85	7.00	7.00	0.00
0630	13.85	8.00	8.00	0.00
0700	14.14	10.20	10.20	0.00
0730	13.20	12.70	12.81	1.47
0800	14.63	15.73	15.85	1.47
0830	14.63	15.72	15.84	1.47
0900	14.77	15.80	15.81	1.47
0930	15.49	16.71	16.83	1.47
1000	16.17	16.95	17.07	1.47
1030	17.55	16.95	17.07	1.47
1100	17.55	18.86	18.98	1.47
1130	17.55	21.40	21.52	1.47
1200	23.58	21.40	21.52	1.47
1230	25.90	21.50	21.63	1.47
1300	25.90	16.95	17.07	1.47
1330	25.90	16.95	17.07	1.47
1400	17.33	16.62	16.74	1.47
1430	17.33	16.38	16.50	1.47
1500	15.49	16.38	16.50	1.47
1530	15.49	15.97	16.09	1.47
1600	15.49	15.97	16.09	1.47
1630	15.49	16.38	16.50	1.47
1700	15.49	28.12	28.24	1.47
1730	17.33	28.12	28.24	1.47
1800	19.51	16.62	16.74	1.47
1830	16.17	16.62	16.74	1.47
1900	16.17	16.62	16.74	1.47
1930	10.42	16.62	16.74	1.47
2000	10.36	15.73	15.85	1.47
2030	10.49	12.70	12.70	0.00
2100	17.33	10.20	10.20	0.00
2130	25.00	15.73	15.85	1.47
2200	25.00	19.68	19.80	1.47
2230	21.51	19.68	19.80	1.47
2300	16.17	19.68	19.80	1.47
2330	14.77	15.73	15.85	1.47
2400	14.14	15.73	15.85	1.47

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 24.08.97 | Final Prices for Trading on 27.07.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	14.22	12.56	12.65	1.38
0100	13.66	9.90	9.99	1.38
0130	13.66	9.20	9.29	1.38
0200	13.66	9.20	9.29	1.38
0230	13.66	9.20	9.29	1.38
0300	13.66	9.20	9.29	1.38
0330	13.66	9.20	9.29	1.38
0400	13.66	9.20	9.29	1.38
0430	13.66	9.20	9.29	1.38
0500	13.66	9.20	9.28	1.38
0530	14.11	9.20	9.20	0.00
0600	14.11	9.20	9.20	0.00
0630	14.11	9.90	9.99	1.38
0700	14.11	9.90	9.99	1.38
0730	14.11	9.20	9.20	0.00
0800	14.11	9.90	9.99	1.38
0830	15.01	12.21	12.30	1.38
0900	14.44	13.10	13.19	1.38
0930	15.01	15.23	15.32	1.38
1000	15.01	14.89	14.98	1.38
1030	16.58	15.23	15.32	1.38
1100	17.73	15.73	15.82	1.38
1130	17.73	15.73	15.82	1.38
1200	18.32	17.05	17.15	1.38
1230	24.95	17.05	17.15	1.38
1300	24.95	17.05	17.15	1.38
1330	18.32	16.08	16.17	1.38
1400	16.58	16.08	16.17	1.38
1430	16.03	15.41	15.50	1.38
1500	15.34	16.08	16.17	1.38
1530	15.34	15.01	15.11	1.38
1600	15.34	15.01	15.11	1.38
1630	14.52	14.58	14.67	1.38
1700	14.52	14.58	14.67	1.38
1730	15.34	14.58	14.67	1.38
1800	15.34	14.58	14.67	1.38
1830	14.52	14.58	14.67	1.38
1900	14.52	14.58	14.67	1.38
1930	14.52	14.58	14.67	1.38
2000	14.52	14.58	14.67	1.38
2030	16.15	10.18	10.18	0.00
2100	19.11	10.11	10.11	0.00
2130	19.11	11.56	11.56	0.00
2200	19.63	18.59	18.68	1.38
2230	19.11	18.59	18.68	1.38
2300	18.25	18.59	18.68	1.38
2330	16.15	18.59	18.68	1.38
2400	16.15	13.10	13.19	1.38

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**

Aluminium Co of America $0.25
Anglian Water 6½% Bd 1998 *£325.0*
BPB 7¼% Cv Sb Bd 2008 £36.25
Burton 4¾% Cv Bd 2001 £47.50
Denmark 6¾% Nts 1998 £67.50
Eaton $0.44
European Inv Bank 8.75p
Gartmore Scotland Inv Tst 2.6p, *do Package Units £6.50*
M & G High Inc Inv Tst Cv Rd 12.75p, Do Inc 0.96p, Do Inc & Grwth Units 0.96p, Do Package Units 0.96p
3i Int 7¾% Gtd Bd 2003 £77.50
Treasury *8¾% 2017* £4.375
Wah Kwong Shipping HK$0.429

■ **TOMORROW**

Allied Domecq Fin 6½% Gtd Nts 1997 $65.0
Barclays Bank Und Prim Cap FRN Ser 2 $289.11
Bear Steams Floored FRN *2004* $2764.06
Business Dev Bank of Canada 8½% Nts Aug 1997 C$85.0
CS First Boston Fin Gtd Sb FRN Aug 2003 $27.81
Cadcentre 1.6p
Canadian Imperial Bank of *Commerce Fltg Rate Sb Db* 2085 $289.11
Compass 3.1p
Hambros 5p, Do N/Vtg 2.1p
Hongkong & Shanghai Banking Prim Cap Und FRN (Ser 1) $149.32
Independent British Healthcare 0.5p
Sanwa Fin Aruba Gtd Sb Perp FRN Ser 3 $829.43
Sudwestdeutsche Landesbank Cap Mkts 6¾% Gtd Bd 2003 DM67.50
Tokai Fin (Curacao) Und Sb Gtd FRN Y1165342.0
Treasury 10% 2001 £5.0
Westpac Banking Sb FRN 1997 $295.47

■ **WEDNESDAY AUGUST 27**

Bristol & West FRN 1999 £1679.32
British Land 6.08p
Canon 4.65% Nts 1997 Y465000.0
Cardiff Auto Rcvbls (UK) No 3 *Class A FRN 1998 £173.60*, Do Mezanine FRN 1998 £196.92
Chase Manhattan Sb FRN 2000 $150.14
Commonwealth Bank of Australia Dtd FRN Feb 1999 $276.53, *Do Dtd FRN Feb* 2000 $276.53, Do Und FRN Exch Feb 1989 $282.69
Eurocamp 3.75p
Falcon 3.5p
Harvey Nichols 3.9p
Ivory & Sime UK Discovery Tst 1.6p
Lloyds Bank Ser B Var Rate Sb Nts 1998 £169.19
Lonrho Fin 6% Gtd Cv Bd 2004 £30.0, Do 8% Gtd Cv Bd 2006 £40.0
Merrill Lynch $0.20
Midland Bank Sb FRN 2001 £83.97
NKK 6% Nts 1997 Y600000.0
Nat West Bank Und Var Rate Nts £182.74
Slimma 1.45p
Templeton Emerging Mkts Inv Tst 1.1p
Throgmorton Tst 0.9p
Treasury 9¾% 2002 £4.875
Wells Fargo Sb Cap FRN 1998 $151.74

■ **THURSDAY AUGUST 28**

Bank of Montreal C$0.40
Beaufort 0.068p
Dart 4.4p
Denmark FRN 1998 £162.36
Electricite de France 12½% Gtd Ln 2008 £312.50
Elliott (B) 1.8p
Mitsui OSK Lines FRN 1997 Y21562.0
Murray Int Tst 3.15p
Racal Elec 3.9p
Repeat Offering Sec Entity Fdg No 1 Class A1 (a) Asset Bckd FRN 2001 $421.08, Do Class A1 (b) £921.39, Do Class A2 (a) $1529.42, Do Class A3 (a) $1589.64, Do Class A3 (b) £1710.55, Do Class A4 (a) $1585.64, Do Class A5 (a) $1649.53, Do Class A5 (b) £1818.93, Do Class B $1866.75
Sanyo Elec FRN 1998 Y21563.0
Tokyo Elec Power 8¾% Nts 1998 $437.50
Tokyo-Mitsubishi Int Sb FRN 2000 $15473.10

■ **FRIDAY AUGUST 29**

Abtrust High Inc Tst 1.65p
Allied Irish Banks Unc Var Rate Nts $178.52
Bank of Nova Scotia Fltg Rate Sb Cap Db 2085 $290.69
Bank of Scotland Und Var *Rate Nts $172.20*
Bisichi Mining 0.81p
CLM Insurance 8.08p
Cater Allen Gilt & Fixed Inc Fd Ptg Rd Pf 9p, Do Ptg Rd Pf (High Yld Gilt Fd 2000) 20p
Chase Manhattan Sb FRN *1997 $153.25*
City of Oxford Inv Tst 2.5p
Contra-Cyclical Inv Tst 2.5p
Cosalt *4.1p*
Cranswick 7.2p
Danae Inv Tst 4.875p
Dunyat Inv Tst Cv Mnthly Div 0.49p
Edinburgh UK Tracker Tst 2.2p
Eurotherm 4.2p
FirstBus 3.7p
Fitzwilton Units IR1.35p
Gartmore Smaller Co's Tst 5% Cm Pf £1.75
Geared Inc Inv Tst 0.875p, Do Inc 0.875p
Glasgow Inc Tst 0.6p
Halifax Cllrf FRN 2003 £349.04
Helical Bar 4.85p
Hiscox Select Insurance Fd 8.7p
Homeloans (No 2) Class A1 Mtg Bckd FRN 2028 £50.27, Do Class A2 £168.66, Do Mezzanine £182.62
IMS 1.1p
Irish Permanent Treasury Gtd FRN 1999 £16.64
Ivory & Sime ISIS Tst Cv Annuity 7.471901p
Jarvis Hotels 2p
Jersey Elec A 14.4p
Lloyds Bank Prim Cap Und FRN (Ser 2) $151.67, Do (Ser 3) $287.86
Lloyds TSB Var Rate Sb Nts 2003 £177.64
Martin Currie European Inv Tst 0.8p
Masthead Insurance Underwriting 10p
Morgan Grenfell Und Prim Cap FRN $297.01
Nat West Bank Prim Cap FRN Ser C $150.09
OLIM Cv Tst 4.5p, Do Units 13.5p
Pendragon 3.6p
Porter Chadburn 0.5p
Royal Bank of Canada Fltg Rate Db 2005 $45.82
Somic 1.75p
Stordata Solutions 0.2p
TMC PIMBS 1st Fin Ord Class Nts Iss No 2 Jul 2029 £184.13, Do Iss No 2 Aug 2030 £189.66, Do 7th Fin Class A Iss No 8 Aug 2031 £34.22, *Do Class B £183.87*
TR City of London Tst 1.66p, Do 20% Non-Cm Pf 7p, Do 6% Cm 1st Pf £2.10, Do 6% Non-Cm 2nd Pf 2.1p
Tamaris 0.05663p
Temple Bar Inv Tst 6% Cv Un Ln 2002 £3.0
Tinsley Robor 1.9p
Wellman 1.4p
Wells Fargo Sb *FRN 2000* $46.82
Whitehead Mann 1.6p

■ **SATURDAY AUGUST 30**

Abtrust New Pf Inc Inv Tst 4.25p
Bankers Inv Tst 1.25p
Celtic 6% Cv Pf £2.88
Gartmore British Inc & Grwth *Tst Geared Inc* 2.25p, Do Units 2.25p
Henderson Far East Inc Tst 7% Db 1997/2002 £3.50
Investment Co 2p

■ **SUNDAY AUGUST 31**

Derby Tst 23.2706p
Gibbon 7% Cv Rd Pf 3.5p
London & St Lawrence Inv 5% Cm Pf 1.75p
Parkland 4.2% Cm Pf 2.1p
Prowting 14½% Cm Pf 7.25p
RPH 4½% Un Ln 2004/09 £2.25, Do 9% Un Ln 1999/2004 £4.50
VFG 0.4p

UK COMPANIES

■ **TODAY**
COMPANY MEETING:
Templeton Emerging Markets Inv Tst, Caledonian Hotel, Princes St, Edinburgh, 10.00

■ **TOMORROW**
COMPANY MEETINGS:
Celsis Intl, 35 New Broad St, E.C., 10.00
Dunedin Enterprise Inv Tst, Saltire Court, 20, Castle Terr, Edinburgh, 2.30
Falcon Hldgs, Radford Business Ctre, Radford Way, Billericay, Essex, 3.00
BOARD MEETINGS:
Final:
Epic Multimedia
Interims:
Astec (BSR)
Clydeport
Eclipse Blinds
Hambro Countrywide
Irish Permanent
Sanderson Bramall Mtr Grp

■ **WEDNESDAY AUGUST 27**
COMPANY MEETINGS:
Aberforth Split Level Tst, 14, Melville St, Edinburgh, 12.15
Bath Press, The Francis Hotel, Queen St, Bath, 11.00
Faupel Trading, Faupel Hse, Giggs Hill Rd, Thames Ditton, Surrey, 11.00
Helical Bar, The Westbury, Conduit St, W1, 11.30
Kalamazoo Computer, National Motorcycle Museum, Coventry Rd, Bickenhill, W Mids, 10.30
Martin Currie European Inv Tst, Saltire Court, 20, Castle Terr, Edinburgh, 12.30
BOARD MEETINGS:
Finals:
Beales Hunter
Isotron, Jos Hldgs
Smith (WH), Topps Tiles
Interims:
Cakebread Robey
Domnick Hunter
Kalon, Keller
***Marley*, Ugland Intl**

■ **THURSDAY AUGUST 28**
COMPANY MEETINGS:
Atlantic Telecom, 26, Finsbury Sq, E.C., 2.30
Fidelity Asian Values, 25, Lovat Lane, E.C., 10.00
Pembertons, 100, Liverpool St, E.C., 10.30
Scottish & Newcastle, Sheraton Grand Hotel, 1, Festival Sq, Edinburgh, 11.30
Somic, Bartle Hall, Lea Lane, Bartle, Preston, 12.30
BOARD MEETINGS:
Interims:
Dawsongroup
Inveresk
Irish Contl
Kingspan, Ladbroke
Macfarlane
Provident Financial
Reckitt & Colman
Rolls-Royce
Slough Estates
Technoplast Inds
Visual Action

■ **FRIDAY AUGUST 29**
COMPANY MEETINGS:
***Berkeley**, Berkeley House*, 19, Portsmouth Rd, Cobham, Surrey, 10.00
Bolton Intl, 62, Threadneedle St, E.C., 10.00
GEC Intl, Painters' Hall, 9, Little Trinity Lane, E.C., 11.00
Hansom, Cumberland House, 80, Scrubs Lane, N.W., 10.00
Ivory & Sime, Caledonian Hotel, Princes St, Edinburgh, 12.15
Richards, *55, Colmore Row,* Birmingham, 10.00
BOARD MEETINGS:
Final:
Photo-Me Intl
Interims:
Baillie Gifford Shin Nippon
Thomson Clive Invs
UK Safety

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONTRACTS & TENDERS

Taiwan group to double Telford output

By Peter Marsh in London

Tatung, the large Taiwanese electronics company, is planning to double its output of televisions and computer monitors at its factory at Telford in the English Midlands, mainly on the back of expected strong demand in Europe for personal computers.

The intended expansion in output to up to 1m units a year by 2000 could create between 50 and 100 jobs at the plant, which at present employs 500.

A large part of the Telford output will be of a novel, combined TV set and computer monitor, which the company designed in the UK and which is being launched this week.

Retailing at about £400, ($652) it is designed to appeal to people who want the convenience of having their computer and TV in one box. Students and people living on their own will be among the group's target customers.

News of the expansion comes as Chung Hwa Picture Tubes, which is part of the Tatung group, plans to open a cathode-ray tube factory in central Scotland later this year.

The facility will ship a large proportion of its output to the Telford factory. Most of the tubes used at the Telford plant come from Asia at present.

Tatung's plans for Telford underline the interest of non-UK electronic goods companies in increasing production from Britain.

The UK's television manufacturing industry has since the early 1990s been boosted by investments from Japanese companies such as Sony and Toshiba.

Sony is also making 1m computer displays at its British plant.

LG of South Korea plans to turn out 2m computer monitors a year in a new factory in south Wales, which should be fully operational by 2000.

Tatung made about 300,000 TVs and 200,000 monitors at Telford last year, and is projecting a similar figure for 1997. Output from the plant is estimated at about £80m a year. The first phase of expansion should begin next year, with production up to 700,000 units: 350,000 TVs, 250,000 computer monitors and 100,000 of the "hybrid" product.

Simon Chao, vice president of Tatung's Telford operations, said his target was to push this up to 1m by 2000, with most of the growth being in monitors.

Most of these are sold to leading personal computer makers in Europe.

Mr Chao said it was likely the company would invest a further £1m or so at its Telford plant in the next few years.

This would add to the £30m it has spent at the factory since 1984.

Employment would rise depending on demand for the products.

Tatung's spending at Telford is small compared with the £260m cost of setting up the Chung Hwa plant in Lanarkshire, a much more capital intensive operation which is aimed at turning out 10m tubes a year and will employ 3,300 by 1999.

Way to cut solar power cost outlined

By Michael Peel

An unpublished report for the European Commission, drawn up by a team led by a British Petroleum scientist, shows the cost of solar-generated electricity would be cut by four-fifths if a large factory was built to make solar modules.

A group of solar industry companies and academics was asked by the Commission to estimate the effect on costs of building a plant which could produce photovoltaic modules capable of generating 500MW of electricity annually.

BP Solar said it had calculated from the report that a 500MW capacity factory could cut the cost of domestic solar electricity in the UK from 64p per kilowatt hour to 13p per kWh. This compared with wholesale electricity costs of about 2.3p per kWh.

"We have still got some way to go here, but in California where you have got twice as much sunshine you would be getting pretty close to being competitive," said John Harford, strategy and planning manager for BP Solar International.

Such a large factory would be viable only if there was a huge expansion of the market for photovoltaic modules. The Japanese and US governments have set targets for domestic solar power use by 2010 totalling 7,600MW a year. However, current demand for modules is only about 100MW a year.

Kyocera, the Japanese high-technology group, aims to increase photovoltaic module capacity at its largest factory to 60MW a year by 2000, while BP Solar International hopes to manufacture 50MW of modules a year by the same date.

John Browne, chief executive of BP, said in May it aimed to increase its sales of solar energy equipment tenfold to $1bn (£600m) a year in the next decade.

The report's authors said the study "clearly confirmed . . . that by increasing market size, the price of photovoltaic modules would fall".

Bob Johnson, director of the photovoltaics group at US consultancy Strategies Unlimited, said equipment manufacturers were reluctant to expand their operations rapidly because the Japanese and US schemes were dependent on subsidies which could be axed if the governments decided to cut spending.

Reuters

Mirror image: Nick Reilly, chief executive of carmaker Vauxhall, will crackdown on poor quality training courses

Vauxhall chief to head training standards body

By David Wighton, Political Correspondent

Nick Reilly, chief executive of the Vauxhall offshoot of General Motors, is to head a UK government drive to improve standards among the private companies that provide £1.4bn a year of publicly funded training.

The government will this week announce Mr Reilly's appointment as chairman of a new training standards council charged with cracking down on poor quality courses.

The council, which will have more than 400 part-time inspectors, will supervise the work of the 79 Training and Enterprise Councils through which the courses are funded.

The government recently launched a review of the whole system of the employer-led councils following criticism about the standard of training and allegations of financial mismanagement.

Mr David Blunkett, the education secretary, has been determined to crackdown on the poor performers because of the key role that Tecs will play in the government's flagship £3.5bn ($5.7bn) welfare-to-work programme.

The latest in a string of industrialists drafted in by the government, Mr Reilly is expected to work closely with Sir Peter Davis, chief executive of Prudential Corporation, who heads the government's welfare-to-work taskforce. Sir Peter has made clear that quality training will be essential to persuade private sector employers to take on unemployed people under the scheme.

The welfare-to-work taskforce also includes Ian McAllister, chairman of Mr Reilly's biggest rival Ford UK. The training standards council, which will have an annual budget of £4m, will have responsibility for supervising all publicly-funded training qualifications such as Modern Apprenticeships and National Vocational Qualifications.

The new body, which will include other representatives from industry and trade unionists, will work alongside the Tec National Council but will report directly to the secretary of state. Mr Reilly, whose first job will be to appoint a chief inspector, will be paid £4,000 a year for the part-time post.

Senior Labour figures have expressed a number of concerns about the current system of Tecs, which are highly autonomous and widely seen as lacking co-ordination and accountability.

● The government is to encourage employers to shop crooked rivals in an attempt to cut the £3bn cost of social security fraud.

A hotline is to be set up soon to target employers who evade paying their staff's National Insurance contributions.

The move follows the success of the "shop-a-cheat" scheme set up by the previous government to gather information on benefit fraud. The service, which has received more than 200,000 calls, has been enthusiastically adopted by the Labour administration.

Virgin Group seeks bids for tilting trains

By Charles Batchelor, Transport Correspondent

Richard Branson's Virgin Group will this week invite bids for 40 tilting trains for services on the main west coast rail line between London and Scotland. The order, one of the largest for railway equipment in the UK, is expected to cost between £500m ($815m) and £600m, and the trains are likely to be assembled in the UK although they will depend on technology developed elsewhere.

British Rail, the former national state network, developed tilting technology in its Advanced Passenger Train in the 1970s, but technical difficulties led it to drop out of this field. Manufacturers in other countries have continued to carry out work in this area, with Italy's Fiat becoming the world's main supplier.

The final decision on assembly of the Virgin trains will lie with the manufacturer, but the tenders to be sent out on Friday to the 10 pre-qualified bidders will require the winning company to design, build and maintain the trains for the rest of the 15-year franchise.

The requirement to maintain the trains means the supplier would probably assemble them in the UK to have access to the skills and tooling needed to carry out repairs. Also, the tilting mechanism, which has been developed for trains in mainland Europe and north America, will have to be modified to fit the smaller UK trains.

A decision to assemble in the UK would provide a further boost to the UK rolling stock industry which is still recovering from a gap in orders while BR was privatised. Six train orders worth a total of £526m have been placed in the past 12 months.

The four leading contenders to win the contract to build the trains all have tilt experience. They are Adtranz, a joint venture of ABB and Daimler-Benz with a UK base in Derby; Bombardier of Canada with a plant in Wakefield, northern England; a consortium of Fiat and GEC Alsthom, which makes trains in Birmingham; and Siemens, which has maintenance depots at Wolverton in the English Midlands and Springburn in central Scotland. Siemens said its depots could be expanded to carry out assembly.

Other manufacturers to pre-qualify include General Electric and General Motors of the US and Kawasaki Heavy Industries of Japan.

Virgin expects to place an order before the end of this year – possibly with more than one manufacturer – for deliveries to start in 2001. It is expected to require manufacturers to put in bids to supply both a completely fitted out train and a bare carriage shell which would allow Virgin to place a separate order for interiors.

Engineering 'broker' enters electronic age

By Peter Marsh

An "introduction agency" for the engineering sector, which fixes supply deals for up to 20,000 customers, is planning a large increase in business by taking advantage of electronic mail and the internet.

Sub-Contract UK, part of an international information group owned by Sture Wigart, a Swedish entrepreneur, sends details of engineering parts that big organisations want made to 1,000 companies, which each pay an annual membership fee.

The companies – mostly small businesses but including the subcontracting arms of GKN, Rolls-Royce and Texas Instruments – then tender for the jobs they are interested in. In this way, Sub-Contract acts as a "broker" for about 300 engineering projects a week, with a total annual value of £2bn ($3.26bn). The company plans to increase turnover to £8bn by the end of the century, partly by accessing details about more projects and increasing its membership to 2,500.

The company's strategy is to tap into the UK manufacturing sector's growing interest in outsourcing. The manufacturing sector is increasingly getting its components made by outside bodies. Outsourcing enables companies to react more quickly to changes in their markets.

There is an increasing requirement for new ways to speed information in outsourcing agreements between the different parties that, in many cases, may be hundreds of miles apart.

The Wigart group has similar operations arranging supply deals in the engineering and construction sectors in Sweden, Finland, the US and Australia.

It has total annual sales of about £70m. The group started its UK operation six years ago, building sales up to £2.5m a year and employing 50 staff.

At present the company sends out most details of supply projects to members by post. Over the next few months it plans to speed up the information flow by switching to fax and electronic mail, with increasing use of the internet.

In these cases, companies can log details of their supply requirements electronically and potential vendors can send in their bids or request more information using the same technique.

According to Hans Wigart, son of Sture Wigart and managing director of Sub-Contract, just 1 per cent of the deals his company facilitates are accomplished using the internet. He expects this to climb to 10 per cent by 2000 – with growth held back by the preference of many engineering companies to work with paper rather than electronic media.

UK NEWS DIGEST

World Service seeks advert cash

The BBC has approached Saatchi & Saatchi, the advertising agency, about ways of assessing methods of claiming a share of the revenue from advertisements sold around BBC World Service programmes broadcast by commercial radio stations outside Britain. Nearly a fifth of the World Service's weekly audience listens to its programmes on local FM radio stations, rather than on the BBC's short-wave service. Some of these stations are commercial concerns which raise revenue by selling advertising airtime at the beginning and end of each World Service programme. The BBC stressed that it would not sell advertising on its own World Service broadcasts. At present the BBC allows many broadcasters to relay its World Service programmes free, charging a nominal fee to others. *Alice Rawsthorn, in London*

■ MONTSERRAT

Government attacked on crisis

Alastair Goodlad, the opposition Conservative party's chief spokesman on international development, yesterday attacked the British government's handling of the crisis in Caribbean island colony of Montserrat, where a volcano has made two-thirds of the land uninhabitable. "At a time when the islanders desperately need help all the Labour government can do is be rude about them . . . Clare Short [chief international development minister] and her deputy George Foulkes are at odds," he said.

● Few Montserratians appear eager to accept the UK's aid package and leave the island, **Canute James writes in Kingston.** Although several hundred have registered to be evacuated, less than 30 had left by yesterday morning.

"Many who are thinking of leaving are waiting for an improvement in the offer from the British government," a Montserratian government official said yesterday. "They hope the new chief minister will get them more money, and they are holding on for this."

■ SCOTLAND

Minister hits back on devolution

Donald Dewar, chief minister for Scotland, yesterday rejected a warning last week from Sir Bruce Pattullo, governor of the Bank of Scotland, that devolution could cost the average wage-earner more than £300 a year. "What we are doing is giving [the Scottish parliament] very limited tax varying powers," Mr Dewar said on BBC radio. "It's a matter for a grown-up parliament with grown-up responsibilities to decide how it will use these powers.

"What Sir Bruce is doing is assuming, as the Conservatives tend to do, that that power will be used to the maximum as a matter of routine, almost, and therefore they produce some fearsome figures. It's not justified."

Sean Connery, the actor, said yesterday he fully supported the government's devolution programme for Scotland. He said before attending a screening of one of his films at the Edinburgh Festival that devolution should be supported at next month's referendum because it was "the next step from independence".

Editorial Comment, Page 13

■ POLITICAL FUNDING

Donations setback for Tories

The finances of the opposition Conservative party are set to receive a further blow from the decision by Dixons, the electrical retailer headed by Sir Stanley Kalms, to scrap its annual donation.

The company, which gave £25,000 ($40,750) to the party last year, is dropping the payment in line with the trend away from corporate political donations and towards personal support.

Sir Stanley, who has been one of the Tories' most prominent business champions, is expected to continue to make personal donations, although he is understood to be disheartened by the party's crushing election defeat on May 1 after 18 years in power.

In recent years, several big companies have ceased to make donations including United Biscuits, Wimpey and Rolls-Royce. Some have been responding to the concerns of institutional shareholders about corporate political donations, others have been put off by the party's increasingly Eurosceptic tone. *David Wighton, in London*

■ MUSIC

Record-breaking Oasis album

Oasis's *Be Here Now* has gone straight to the top of the UK album chart and become the fastest-selling album ever in the country by selling an unprecedented 695,761 copies in its first three days on sale. It also went to the top of the charts in several other European countries including the Republic of Ireland and Finland. The album has also broken records in Japan. Sony Music, the subsidiary of the Japanese electronics group which owns 49 per cent of Creation and distributes Oasis' music outside the UK, shipped 250,000 copies to Japan before Thursday, an unprecedented number for an imported release. The three-day tally for *Be Here Now* in the UK is well ahead of the 350,000 sales achieved by the previous UK record-holder, Michael Jackson's *Bad*, during its first week of release in September 1987. *Alice Rawsthorn, in London*

Lessons in dealing with Brussels

DATELINE

Brussels: it takes more than a good lawyer to clear the hurdles of the European Union regulatory process, writes **Emma Tucker**

Karel Van Miert, the European Union's competition commissioner and a former amateur boxer, has already delivered a bloody nose to Boeing, the US aircraft manufacturer. If it does not watch out, British Airways could soon suffer a similar fate.

In recent battles to win regulatory approval for corporate alliances, both BA and Boeing displayed a tactical ineptness striking for enterprises of their size and experience.

The failings demonstrate a reality which is only just beginning to dawn on many large companies – that it takes more than a good lawyer to clear the hurdles of the EU regulatory process.

Boeing's naivety was exposed during a tussle to win approval for its merger with McDonnell Douglas. The Commission eventually gave the deal a green light, but only after it had extracted substantial concessions, and tensions surrounding the merger had led the EU and the US to the brink of a trade war.

Its main error was to underestimate the impact of the merger in Europe. "Because it felt it had a good case, it thought it did not have to fight," says one Brussels consultant. "So it ignored the political realities and underestimated the quiet but fierce lobbying France would put up."

Boeing could have helped itself by rallying support from its European suppliers, including Snecma of France, but it failed to draw on that valuable source.

It also ignored warnings from Mr Van Miert that the merger was heading for trouble. Agitated by Boeing's conviction that the EU would nod the deal through, he used a lecture tour of the US to air concerns about the impact the merger would have on the market for civil aircraft. It was only when Brussels was on the verge of blocking the merger that Boeing put its most experienced lobbyists on the case.

"Companies make the mistake of asking their lawyers to advise them on tactics," says one EU diplomat. "But many lawyers find it hard to break away from the reading of the law."

For BA – seeking approval for its alliance with American Airlines – the procedure is not yet over, but the signs from Brussels are ominous.

For a company with such a good reputation for lobbying in London, things got off to a surprisingly bad start. While keeping the Commission informed of its plans, BA declared that the UK's Office of Fair Trading, and not Brussels, was the appropriate authority to vet the deal.

This position smacked of arrogance, and led one EU diplomat to describe BA as "the only British company that behaves in Brussels as if it is still state owned". It also got under the skin of Mr Van Miert who insisted that Brussels had a joint role in assessing the alliance's impact on competition.

To reinforce its case, BA summoned support from the UK's then Conservative government – an administration with few friends in Brussels.

A flurry of letters between Mr Van Miert and London ensued, culminating in a threat from the competition commissioner to take BA to court if its verdict on the alliance was ignored.

"It was," says one industry expert, "a text-book example of how not to lobby in Brussels."

There are signs that BA is making amends. It has opened a permanent one-man office in Brussels, and at the height of BA's recent industrial dispute in Britain, Robert Ayling, the chief executive, visited Mr Van Miert.

It may, however, be too late. A preliminary list of concessions demanded by Brussels would so emasculate the proposed BA-AA alliance, that if complied with, it would hardly be worth pursuing.

The irony is that BA has allies inside the Commission who are sympathetic to its complaint that Mr Van Miert, under pressure from less competitive rival European airlines, is unfairly penalising the British company.

BA's clumsiness stands in sharp contrast to the deft approach of another British corporate giant, British Telecommunications. Long established in Brussels, BT was ready for the EU legislation affecting the telecoms industry that began pouring out of the Commission a few years ago. It penetrated the Brussels machine so skillfully that some officials even credited it with effectively writing some of the laws. "BT is the quintessential, sophisticated client," says one lawyer.

Its merger with MCI, a less controversial deal than the BA-AA alliance, sailed through the regulatory process last year.

BT, which is seeking clearance for an interactive television joint venture with BSkyB, Midland Bank and Matsushita, is again displaying its smooth approach.

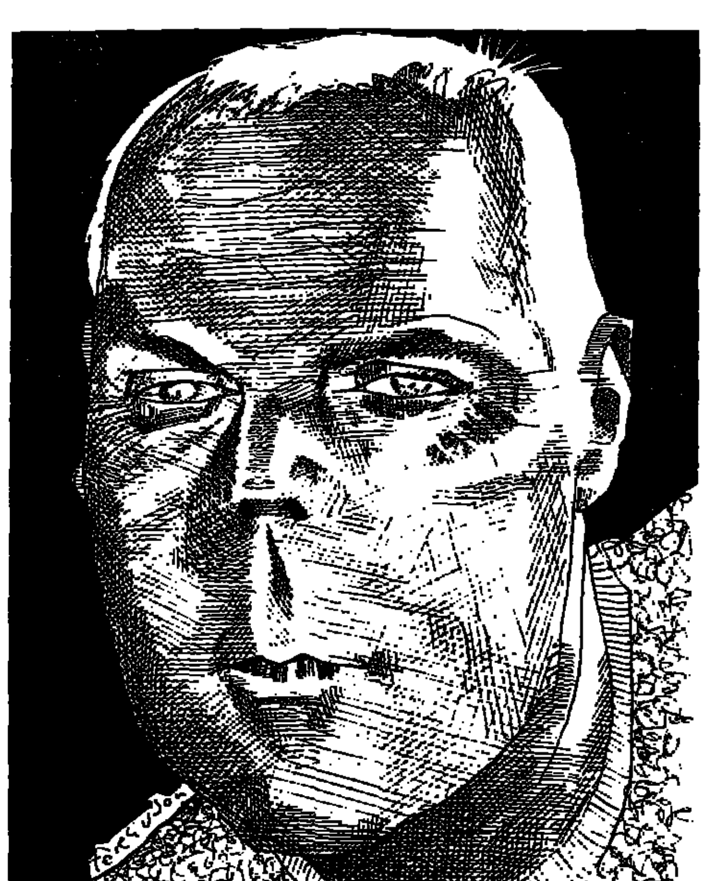
Last month it convened a seminar for 20 Commission officials to explain the nature of the deal and demonstrate the benefits it will yield for users.

"Of course we are talking about a legal process," said a BT executive. "But we wanted to show the Commission what we were doing, and to put the joint venture in context."

The likes of Boeing and BA might take note.

The Monday Profile: Giorgio Armani

Master of the cool classic



Whenever a fashion designer stages a stock market flotation, sceptics in the investment community air concern about what will happen to their business once they become, well, less fashionable.

Such a complaint could hardly be applied to Giorgio Armani, who last week joined the list of designers who are reputedly considering going public, by unveiling proposals to restructure his business interests.

Mr Armani, 63, alias "King Giorgio – Master of Milan", as *Women's Wear Daily*, the US trade magazine, once dubbed him, has been one of the fashion industry's most influential figures for two decades. In spite of his stature, he cuts a curious figure in that *milieu* because, arguably, his greatest achievement is to be the least fashionable of fashion designers.

Fashion is an industry that thrives on change. No one needs to buy a new wardrobe of clothes each autumn, but they can be coaxed into doing so if convinced that they should be wearing something different from the clothes they wore a year ago.

Yves Saint Laurent, the French desinger, mastered the sartorial art of consumer manipulation in his heyday in the late 1960s by sending a dramatically different set of clothes on to the catwalk every six months, with skirts barely skimming the models' thighs one season and swirling around their ankles the next. A similar ritual is still perpetuated by the more hip designers of today, such as Tom Ford of Gucci and Miuccia Prada of Prada.

Yet Mr Armani has eschewed change by adhering to the same contemporary classic style throughout his career. Having harnessed Milan's traditional tailoring skills to create a softer, more modern version of a conventional suit in the mid-1970s, he has refined that form ever since. Even his choice of colours is conservative. He is, after all, best known for a blend of grey and beige, described as "greige".

To his detractors, Mr Armani's designs can be downright dull, but his devotees see them as reassuringly discreet. There are only so many ever-so subtly different "greige" suits that a business person can wear, but Armani has become the unofficial uniform of bankers and advertising executives from Marunouchi to Manhattan. Even his celebrity clients have a cerebral air. His rival, the late Gianni Versace, was renowned for the flamboyant, flagrantly sexy clothes he designed for pop star Elton John, boxer Mike Tyson and actress Elizabeth Hurley; but any Armani garment landing on the pages of Hello! magazine or the National Enquirer is more likely to belong to award-winning actress Jodie Foster, rock star Eric Clapton or film director Martin Scorsese.

Mr Armani's character is as self-effacing as his clothes. Born in the northern Italian town of Piacenza, the son of a transport company manager, he dropped out of medical school and worked as a buyer for La Rinascente, the Milan department store, before becoming a designer. In 1975, he co-founded his fashion house with a close friend, Sergio Galeotti, who died in 1984, leaving Mr Armani with sole control of the company. His working days usually run from 8am to 8pm, and he even sketches design ideas during weekend retreats to his country *palazzi* in the mountains or along the coast.

Quiet and self-contained, Mr Armani has a rather forlorn air that overlays a steely determination. He admits to having shouted at his staff on occasion, and is not above criticising rival designers, particularly Gianni Versace, with whom he wrangled for years, although he did issue a dignified statement after the latter's murder, and attended the memorial service.

Since Mr Galeotti's death, he has overseen the company's finances and built a labyrinth of brands, each aimed at a different niche of the market. The business has grown to command sales of L1,870bn ($1.05bn) last year. The restructuring is intended to streamline its interests, possibly as a precursor to selling a stake to a larger group, or to going public, as Gianni Versace planned to do before his death.

Money is an improbable motivation for the immensely wealthy Mr Armani, who is doubtless more concerned with the question that seems to preoccupy most designers above *un certain age* of whether their brand names will survive them.

The subtlety and stability of his design style may be Mr Armani's greatest asset in wooing prospective investors, but might militate against his hopes of longevity. The fashion brands that survive the loss of their founders tend to have easily identifiable characteristics, such as the hour-glass silhouette of Christian Dior's 'New Look', or Coco Chanel's tweedy suits, rather than the gentler merits of a "greige" palette.

Alice Rawsthorn

FT GUIDE TO:

ASIAN CURRENCIES

What's all this fuss about Asian currencies, and why does it matter?
Asian governments are reaping a bitter harvest sown in a property lending spree during the boom years of 1994 and 1995. With a large oversupply of property coming on the market, banks look strained just as regional growth has decelerated in the wake of last year's export slowdown. Vast new manufacturing capacity coming on stream in China has also raised doubts about south-east Asia's competitiveness in world markets.

This has put their currencies under pressure, with Thailand being the worst hit. Like several other Asian countries, it had sought to maintain an artificial peg against the dollar which limited its room for manoeuvre in domestic monetary policy.

Asian countries had hoped to cut interest rates after freeing their currencies. Instead rates have risen, stalling growth prospects in one of the most dynamic regions of the world.

Average growth forecasts for Thailand this year are now 1.9 per cent, almost unheard of for an Asian tiger.

How is the problem likely to be resolved?
Many economists believe the crisis will end only when exchange rates have fallen so far that the only way left is up. Not till then can interest rates be cut.

Why does the crisis seem to be lasting so long, with more and more currencies getting sucked in?
Thailand's crisis stirred echoes of similar problems elsewhere in Asia. Also, the dollar has been strong against the currencies of leading international economies. Many Asian countries needed some depreciation to restore their competitiveness against the yen. The continuing weakness of Japan's economy is cramping Asia's exports to Japan. Starved of demand at home, Japanese companies are meanwhile competing more fiercely on world markets.

Could there be another more pernicious reason?
Yes, there is a whiff of competitive devaluation in the air. Even Singapore, a country with strong reserves and a large current account payments surplus, has seen its currency fall. A particular worry is that governments that try to hold the line on the exchange rate may cease to attract much-needed foreign direct investment.

Who is behind all this speculation?
Mahathir Mohamad, Malaysia's prime minister, tried to pin the blame on George Soros, the US financier. Mr Soros denied any involvement, but international currency funds have been trading Asian currencies more actively over the past few years as a market built up in Singapore. The biggest culprits may well be citizens of the worst affected countries.

Why has the $16.7bn (£10.2bn) rescue package agreed for Thailand with the International Monetary Fund, Japan and other Asian governments failed to calm the markets?
The amount is not large considering Thailand's pressing financial problems. The Bank of Thailand has admitted to having $14.8bn in offshore forward contracts due over the next year. This is on top of the country's foreign debt of $89bn. The Thai authorities also face a big bill for their earlier attempt to bail out ailing finance companies.

Much now depends on whether Japanese banks agree to roll over their existing loans to Thai companies.

Will other Asian countries also need IMF help?
At present that looks unlikely. Malaysian companies have large debts, but the situation is not as acute as in Thailand.

Is there another country to watch?
South Korea, which has suffered a spate of bankruptcies. Local banks' reluctance to rescue the troubled Kia motors could intensify troubles at heavily indebted companies and banks. This could stall an incipient economic recovery which will require careful management by the authorities. But again, the troubles are not on Thailand's scale.

Will the Hong Kong dollar be dislodged from its peg?
Almost certainly not. Hong Kong runs an even more formal peg than Thailand, but it has a budget surplus and ample foreign exchange reserves. Its economy and financial sector are robust.

China has made it very clear that it wants the Hong Kong currency to stay pegged to the US dollar. To abandon that policy would involve an enormous loss of face for Beijing, with serious consequences for its claim of competence in preserving Hong Kong's prosperity.

Is the Asian miracle over?
No. Most economists expect Asia's growth rates to pick up again after a couple of years, but the crisis has shown structural flaws in the region's economies. Bank supervision needs to be improved and the financial sector made more efficient so it can direct savings to the most productive sectors of the economy.

What can Asian countries do?
Asian countries need to raise their skill levels so they can move more easily up the manufacturing chain. As their economies mature they also need to look for more domestic-led growth instead of relying too heavily on exports.

Peter Montagnon

Robert Chote · Economics Notebook

Logic of charging tuition fees

UK students get a high return on their investment in a university education. Making them pay for it is essentially an egalitarian reform

The UK government's recent decision to charge university students tuition fees has produced a chorus of complaints from "Old Labour" traditionalists. It is puzzling that many of the same people who complain that the government does not tax high earners heavily enough should oppose what is essentially an egalitarian reform.

The details differ somewhat from the recommendations of Sir Ron Dearing's long-awaited report on the funding of higher education, but the basic principle underlying both is sound: higher education can only be expanded if its beneficiaries bear a fairer share of the costs.

But what is a fair share? Should students not bear all the costs, as higher education is an investment in their own human capital from which they benefit in the form of higher earnings?

Graduates certainly find themselves at an advantage in the labour market. On average, a male graduate in his 40s earns about £650 ($1,060) a week before tax, compared with just over £500 for a man of the same age with two A-levels – the typical entry qualification for a degree course. Women, on average, earn less than men, but the percentage premium they get from a degree is larger and it accumulates at an earlier age.

Education is not the only explanation for these differences. Innate ability and family backgrounds matter too. The skills gained through higher education explain 60 to 80 per cent of the graduate earnings premium for men and almost all of it for women.

The choice of degree also matters, with engineering more profitable than arts.

By focusing on the costs incurred and benefits received by individual graduates, it is possible to calculate the return they make on their investment in higher education.

The cost is the post-tax earnings they forego during study, partly offset by maintenance grants and student loans. The benefit is the earnings premium – net of tax, national insurance contributions and repayments under the existing student loan scheme.

According to researchers at the Department for Education and Employment, the average rate of return is an attractive 11-14 per cent, depending on the proportion of the graduate premium which is explained by skills acquired at university.

The return is as high as it is because tuition is free and the taxpayer subsidises the student's living costs.

The "social" rate of return – which also includes the costs and benefits borne by taxpayers – is only about 7-9 per cent. The cost in this case comprises direct teaching costs and the output of goods and services foregone during the student's period of study. The benefit is the extra output of goods and services that a graduate produces relative to a non-graduate.

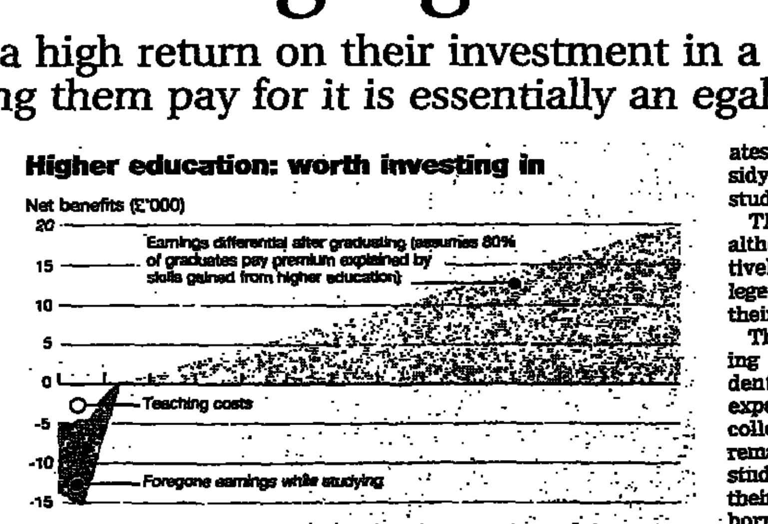
Social rates of return vary widely by subject, as the choice of degree affects the earnings premium and cost of tuition.

Social science degrees give returns of about 11 per cent, as they are cheap to teach but yield large earnings premiums.

Science and engineering degrees are expensive but quite remunerative, giving rates of return of about 5 per cent.

Arts degrees are cheap, but arts graduates are relatively badly paid, so they offer negligible rates of return.

Higher education: worth investing in



Source: National Committee of Enquiry into Higher Education

These rates of return are based on the earnings premiums enjoyed by past generations of students. These may change because of shifts in the demand for and supply of graduates. The Institute of Employment Research forecasts a 50 per cent rise in the supply of graduates between 1991 and 2001, with the demand for graduates rising by 40 per cent.

The excess of supply over demand is likely to increase in the following decade, but unless this pushes the earnings premium down by more than a third, the social rate of return should remain above the 6 per cent the Treasury demands from public investment projects.

These rates of return are delivered because of the way human capital is rewarded in the labour market.

But they may be understated if higher education delivers benefits that are not reflected in graduates' earnings – for example, by boosting the productivity of those people with whom the highly educated work.

Norman Gemmell, professor of economics at the University of Nottingham, investigated this for the Dearing Committee, but found little evidence that higher education delivers important spillover benefits to the economy beyond those which are captured by the labour market.

There are also non-economic externalities, which by their nature, are difficult to quantify. The private rate of return might be increased because students enjoy the experience of being at college, while the social rate of return will be increased if the presence of graduates somehow enriches non-graduates' intellectual and cultural lives.

Taking externalities into account does not alter the basic conclusion: it is sensible to reduce the artificially-inflated private rate of return that graduates enjoy by spreading any subsidy across a wider number of students.

This is egalitarian because although graduates may be relatively poor while they are at college, they tend not to be during their working lives.

This is the logic behind charging tuition fees and leaving students to pay their own living expenses during their years at college. But state intervention remains necessary, because while students may wish to invest in their human capital, most cannot borrow to finance that investment because they have no security.

State subsidy is also justified on the grounds that the dispersion of private rates of return around the average is relatively wide. There would be under-investment in a pure market system because many potential students would be nervous of acquiring such a large debt, especially if they came from relatively poor backgrounds. Hence the attraction of an income contingent loan system, in which the size of the loan repayment due at a given time depends on the graduate's earnings.

The government has accepted the principle of income contingent loans, which is a step forward for equality and efficiency. But to begin with, even students from well-off backgrounds will have to finance only a small proportion of what it costs to teach them.

Old Labour and the middle classes are complaining already, but future generations of students may find themsleves bearing even more of that burden.

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MARKETING / ADVERTISING / MEDIA

MARKETING

How pride can lead to consumer prejudice

J. Sainsbury supermarket group is in danger of being seen as arrogant, reports **Alison Smith**

Customers of J. Sainsbury have a few days left to vote for the product they would like the UK supermarket chain to stock.

The 'More Choice Because It's Your Choice' initiative began with the launch of a £1.5m ($2.4m) advertising campaign by Abbott Mead Vickers this month, and the most popular lines are due to be in stores in October.

Putting such emphasis on asking customers what they want is part of a change of tone for Sainsbury's. David McNair, the supermarket's brand director, says: "Latterly there has been a need to understand clearly the difference between being authoritarian, which is negative; and being authoritative, which is positive."

The shift in approach coincides with analysis by advertising agency FCB – which Sainsbury was unaware of – that identifies Sainsbury's as a brand in danger of appearing arrogant. "The most common complaint we heard about Sainsbury's was forcing its own-label products down customers' throats, making them feel their choice was being taken away," says Mark Hartstone, a director of FCB UK. FCB devised the "brand arrogance/mirror marketing" model from its "mind and mood" programme. The model uses consumers' comments to assess brands on their perceived benefits. "As brands evolve personalities, people respond in the same way they would if confronted with human behaviour," Mr Hartstone says.

Types of brand or sector identified include the inspirational trend-setter (such as Nike or Levi's); the powerful, proud but incompetent (the UK's pre-election Conservative party); the sycophants who seek to "buy friendship" by competing primarily on price (package tour companies); and those who are trusted friends (Heinz and Kellogg's). Mr Hartstone says arrogant brands may be successful, but not as successful as they could be.

According to FCB, arrogant brands make the consumer feel exploited by failing to listen, being patronising and insulting their intelligence by overstating what they can do.

Consumer comments have produced some surprising names on FCB's "arrogance danger list". They include Halifax, the building society, which came under fire from the charity Mencap for the way it distributed free shares when it converted to a bank; Foster's lager, which was seen as trying to force a catch-phrase on its customers; and Mars which was criticised for running special edition products that were not available in spite of customer demand.

Mr Hartstone is doubtful that Sainsbury's campaign will enable it to shed its perceived arrogance. But Mr McNair insists that the return to core values of quality and choice, represented by the initiative, will be one of the ways Sainsbury strengthens the loyalty of shoppers and encourages potential customers.

The promotion will be doing well if it comes anywhere near achieving what the company claims. But there is one sign that the store is moving away from the perceived (and disliked) predominance of its own-label products. If enough shoppers vote for Sainsbury's to sell an own-label product from a rival supermarket chain, such as Tesco, the store will look at improving its own equivalent.

TELEVISION

A taste for pay television

Mark Ashurst on M.I. Hodings, Africa's broadcasting pioneer

Few household appliances illustrate the changing economic imperatives of African rulers better than the little black boxes perched on top of a growing number of Africa's television sets.

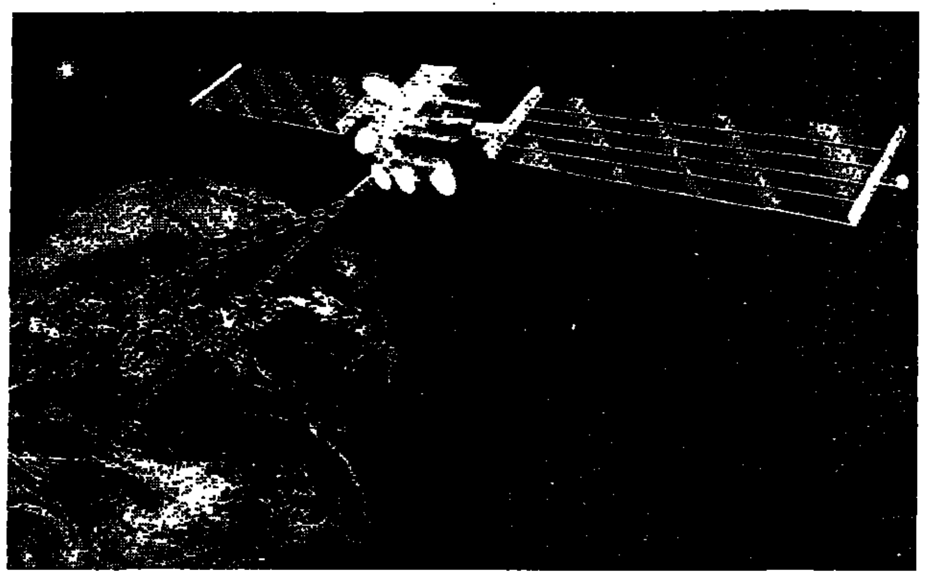
As governments shun the command economies of their past to embrace the private sector, their wealthiest citizens are developing a taste for pay television. And in the sub-Sahara, they subscribe almost exclusively to M.I. Holdings, the South African broadcaster that has pioneered the growth of pay television in the continent.

"The whole of Africa has just opened up for us," says Ian Tennant, general manager of MIH Africa. This fledgling empire spans more than 100,000 subscribers in Botswana, Ghana, Kenya, Namibia, Nigeria, Uganda and Zambia, compared with 10,000 five years ago.

Opportunities north of the South African border have triggered a transformation at the Johannesburg-based group. Launched a decade ago as M-Net, the only private television broadcaster to win a licence from the Pretoria authorities in the days of apartheid, its programmes are today watched by up to 1m viewers.

That expansion has been complicated by the fragile state of Africa's telecommunications infrastructure, which is essential for the transmission of data to the MIH subscriber management system. In spite of technical problems short-term prospects for the group depend on these new markets.

MIH has yet to turn a profit from its African operations. But per capita profits from Namibia and Zambia compare favourably with those of South Africa, where profit margins are among the highest of any pay television operator in the world. These revenues have funded the launch of new ventures.



Viewers' appetite for imported programmes was unexpected, says Mr Tennant. More than 80 per cent are indigenous Africans who are attracted to foreign programming in part because of the poor quality of local television, and a dearth of established private sector competition.

As the deregulation of South African airwaves gathers pace, MIH is looking to new markets to ameliorate the impact of competition on its home turf.

Next to the political revolution at home, the key to these markets has been through joint ventures with state-owned broadcasters and a commitment to pioneering digital technology.

In the sub-Sahara, where MIH expects to sign more than 5,000 subscribers, only Zimbabwe has denied access to the group pending deregulation of the monopoly of terrestrial television. Elsewhere, each of the group's terrestrial broadcasters in Africa has been launched as a joint venture with a local partner.

After deals with private sector partners in Namibia, Botswana, Ghana and Nigeria, M-Net demerged its subscriber management and technical operations in 1994. M-Net buys and produces television programming; MIH, which trades under the brand-name Multichoice, runs the channels and the subscription business.

The group has proved an effective vehicle for striking deals with state broadcasters. The first such partnership was signed with the Egyptian national broadcaster in 1994. Its 10,000 subscribers form the hub of a Middle East operation, while MIH Africa has repeated the formula with state-owned broadcasters in Uganda, Kenya and Zambia.

All involve the terrestrial broadcast of channels transmitted by satellite from South Africa, and then rebroadcast locally in a scrambled format using analogue technology. These can be received on a conventional television by a set-top box which decodes the scrambled signal.

Start-up costs,between $150,000 and $700,000, depend on the size of the market, and subscriptions cost about $50 a month. Franchisees rebroadcast MIH programmes in the smaller markets of Togo, Burundi, Gabon, Niger, Mali and St Helena.

The next big leap was in 1996 with the launch of digital satellite television. In one year, the service has signed 32,500 subscribers to 20 video and 23 audio channels. Although the initial cost to subscribers is high, the package compares favourably with television channels available on the analogue services. Mr Tennant expects operations to turn a profit in 18-30 months.

"The economies where we operate are all growing – some at an average of 5 per cent a year. Most have started privatisation, there is foreign investment, mining exploration is going mad, there is a lot of activity in oil and gas, and the political situation is freeing up," he says. "Overall we are close to break-even, and we are very bullish about the prospects for Africa."

John Hegarty · Ad Lib

In praise of the TV commercial

Imagine for a moment you are the marketing and sales director of a large company.

Achieving your sales targets is giving you sleepless nights. The company's share price is under pressure, the board is getting nervous, City institutions are questioning the company's investment policy.

How can you generate extra sales quickly and effectively through your consumer base, and expand your potential market?

As you toss and turn in bed, feeding a potential ulcer and sweating your way to an early coronary, I appear. I have invented a thing called the "television commercial".

It is a new and unique way of talking to consumers. Between popular programmes, I will sell you slots of time – anything up to 60 seconds. I will even negotiate for you the whole break, so no one else can compete with you.

Within this spot you can say whatever you like in whatever form you like. You control the dialogue, presenting your product or service any way you wish.

This salesman's nirvana will soon waft you back to sleep, ease your ulcer and lower your blood pressure.

Of course, the television commercial has been with us since 1955. Since its arrival, it has been one of the most, if not *the* most, effective creators of brands and wealth. So why is it that you can hardly pick up a marketing magazine without reading about the medium's imminent demise?

Before you rush to the internet, put your money below the line or search for some trendy alternative media, absorb these facts. The average adult in the UK watches more than 24 hours of TV every week, 60 per cent of children have a TV-set in their bedrooms. One in four adults watch the soap opera *Coronation Street*, even more watch *EastEnders*. So why do we read that the likes of Cadbury, the chocolate manufacturer that sponsors *Coronation Street*, think most marketing is nothing but froth and are putting more money into programme sponsorship? Why did we read that Heinz was pulling out of TV advertising (it has since gone back); that more marketing money was going below the line?

Could it be that as the medium has become more competitive some companies have found it harder to create advertising that works? The medium is not a guarantee of success. It has to be used single-mindedly and imaginatively. Perhaps this is the nub of the problem – some companies find this process difficult to manage.

It was said of Michael Dukakis, the 1988 US Presidential candidate who failed to beat George Bush, that he ran a poor TV campaign – and a man who could not run a cohesive advertising campaign for the presidency would not be much good at running the country.

Perhaps as company executives pour scorn on the value of TV to generate sales and wealth for their shareholders, what they are really telling us is they are not very good at their jobs.

The television commercial has been and still is one of the most incredible mediums put at the disposal of companies.

Every marketing, sales and finance director should get down on their knees and say thank you. And the next time someone says forget TV and eulogises about the internet or alternative media, whatever that might be, remember all those people who watch 24 hours of it a week. Where else are you going to find them?

John Hegarty is chairman and creative director of Bartle Bogle Hegarty

Web Site of the Week

Award for students with ideas

Britain's Department of Trade and Industry last week launched an award for students aimed at "demonstrating a creative and innovative idea to push forward the boundaries of interactive digital media using the internet".

The Young ISCA award is part of the DTI's Information Society Creativity Awards, organised in conjunction with a range of corporate partners including Demon, Yahoo!, The Open University and Sun Microsystems. Details of the competition can be found at the DTI's award web site, *www.isca.co.uk*.

Students at UK institutions can win a first prize of £3,000 by submitting a demonstration project which can be viewed using a web browser. The winner's college will receive £2,000.

The competition was announced last week at the Interactive Learning Conference in Edinburgh.

Nicholas Negroponte, founder of the MIT Media Lab, said: "The digitisation and the convergence of technology and telecommunications provides unique opportunities for creating, combining and presenting information in radical new ways for a global audience.

"Young people are already exhibiting skills and imagination in exploiting these opportunities. Each generation will become more digital than the preceding one. The control of bits of that digital future are more than ever before in the hands of the young."

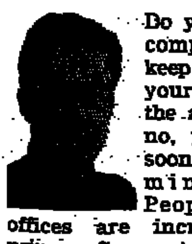
Applicants have from October 1 until May next year to enter. A short-list of 20 projects will be selected and the creators will demonstrate their entries at next year's Interactive Learning Conference, where final judging will take place.

Barbara Roche, DTI minister, said: "These awards will encourage students to provide a showcase for the wealth of talent and creativity among the student body, many of whom will become the next generation of innovators for the information society."

Stephen McGookin

Tim Jackson · On the Web

Organise life with a gadget



Do you use a computer to keep track of your life? If the answer is no, you may soon be in a minority. People in offices are increasingly using software tools that range from modest address book programs to ambitious group project packages to manage their lives. The software allows managers to ask staff to do things, and to chase them almost automatically if they miss deadlines.

Smartest of all are the gadgets that talk directly to a computer – through an infra-red port or by receiving flashes from the computer screen and converting them into meaningful diary data.

The fundamental weakness of many of these systems, known as personal information managers – is portability. You want to carry the life-tracking product with you because its usefulness is curtailed if you have to write the information in a diary and then transfer it.

But there is a certain ostentatious nerdiness attached to the idea of pulling out a gadget whenever someone suggests having a drink next Thursday and pecking away at its miniature keyboard to get the information in.

I have only once found a truly useful portable organiser and that was a Hewlett-Packard notebook computer called an OmniBook. This was a super-light PC with an almost full-size keyboard that ran for 12 hours off a rechargeable battery and could survive on AAs at a pinch. As well as Microsoft Word and Excel, the machine had a personal information manager built into it. It was big enough to type long documents in, but small enough to carry in a pocket. Leaving it in the bedroom at night,I used to rely on the machine to wake itself up and beep me in the morning if there was a breakfast meeting I had forgotten about. Inexplicably, HPno longer makes the machines.

The arguments for using software to keep control of your life are plain to see. Take the address book, for instance. Anyone who has kept names and numbers in a book will know the panic that comes when you fear the book might have been lost. Without a secretary to photocopy the pages each month for archiving, a physical book can be an unreliable storage method for important information.

But software has its downsides, too. My own experience suggests that looking up an address using PC software takes at least twice as long as in a book.

There is also something sad about the lack of aesthetic pleasure in using a database compared with using a book.

I have used a number of packages for phone listings. The latest of them is the Office 97 version of Microsoft Access, which includes a purpose-built contacts database. Some features of the package are terrific: you can press a button marked 'call', dial a number and fill in a short note of what was discussed that will be filed next to the date and time of the call. There are more ambitious functions in the latest version of Microsoft Outlook, but the problem with both packages is they take hours to learn.

The most extreme example of this technology-driven productivity drain is the to-do list. After using electronic to-do lists, I have concluded that lists of jobs that need to be done are better put on the backs of envelopes than in computers. The problem is deciding how much detail to write. Should you break down each project into its component parts, and create 20 or 30 things to do? Or should you keep it general, and leave only one item? Choose the first, and you are likely to get depressed at the mountain of work before you; choose the latter and the package will be of no use.

My inclination is to add too much. The result is every time I power up one of these software packages, it beeps and fills the screen with windows full of unfinished work marked in red.

This week, however, I started using one package that looks as though it might be useful. It is a desktop tool from a small Boston-based software house called Grasp Information Corporation, which allows you to capture nuggets of information from documents or from the web, and to save them in the form of electronic three-by-five index cards which are collected in a set of hierarchical folders.

The attraction of this approach is that it is more flexible than a rigidly structured contacts book or project outline. The program also does not make you wait while it powers up. Left running on the desktop in Windows 95, it allows you to highlight a phrase or paragraph and drag it to one of the folders that appear near the bottom of the screen.

The package is called KnowItAll, and a beta version that works for a month is available from *www.grasp.com*.

A few days' use has convinced me that it is more promising than any organiser software I have seen before. Whether it becomes a permanent fixture remains to be seen.

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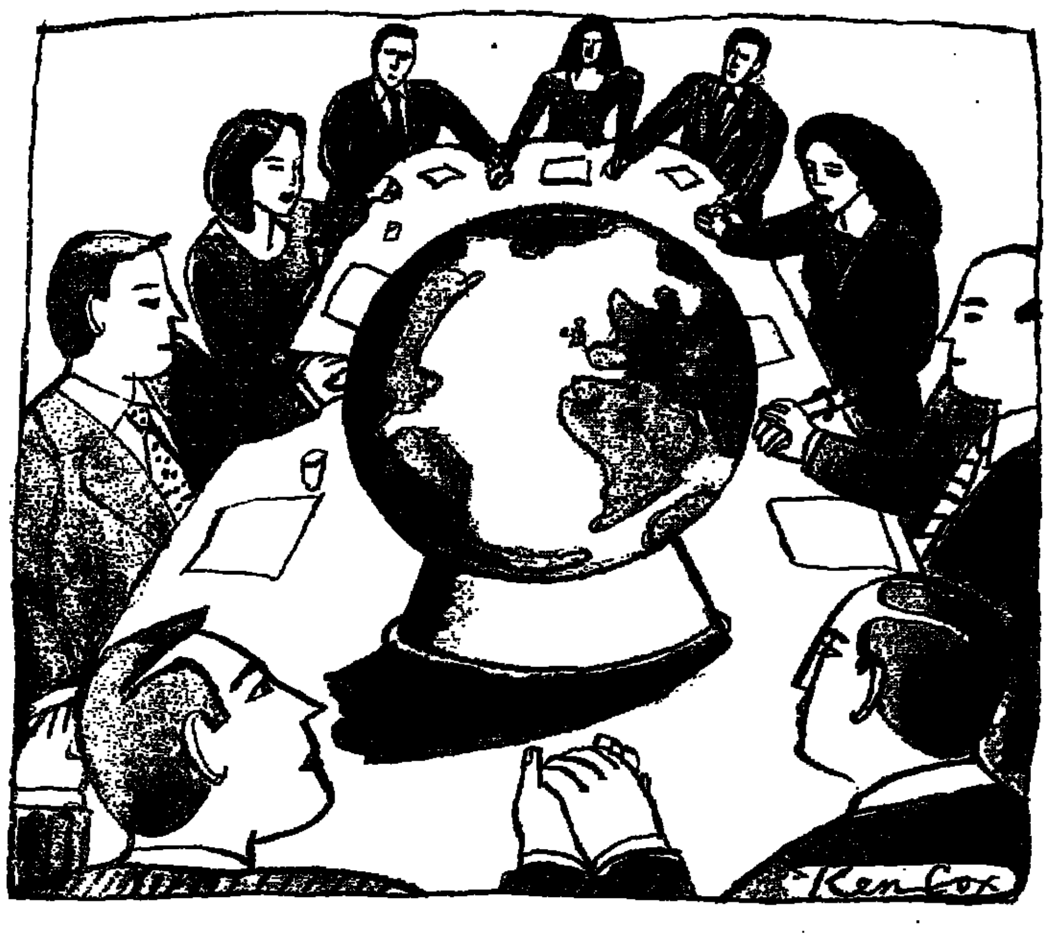
MANAGEMENT

Scenarios force managers to tackle their assumptions, writes **Tony Jackson**

A glimpse of possible futures



Making up stories about *the future* might seem a curious occupation for grown-up executives. But there was a time, in the 1970s and early 1980s, when *scenarios* were a familiar part of the planning process. They then fell out of fashion for a while, as did strategic planning overall. Now that strategy is *making a comeback*, so are scenarios.

In essence, the scenario technique consists of describing a range of possible futures. Let us suppose that the Chinese economy implodes, or that it flourishes: that the *internet enriches* the telephone companies, or drives them to ruin. What then?

The aim is not to make predictions, but to provide a framework into which *subsequent events* can be fitted. If executives have thought out the possible outcomes, they should be quicker to react when one of them arrives. As Arie de Geus, former head of planning at Shell, puts it, they can remember the future.

While *scenarios* have a long history in the armed services, Shell is generally credited with adapting them to business, in response to the first oil shock of 1973. Other oil companies latched on. Since the oil industry undertakes vast single investments *such as refineries or petrochemical* complexes, scenarios appealed as a form of risk analysis. What would happen if the oil price soared or plummeted? What were the odds of a given host government collapsing, or nationalising the industry?

Then came the reaction. In a recent book, *The Living Company*, Mr de Geus describes how *in the 1980s. Shell's senior executives* became sceptical. Making up stories, they said, was great fun and good public relations. But how many decisions could be attributed directly to the scenario process?

Today, according to Roger *Rainbow, Shell's present head of* planning, a balance has been struck. The old practice was for the planners to draw up the scenarios and then make presentations to the line managers: as Mr Rainbow puts it, to "show and tell".

Over the last 10 years, he says, there has been more emphasis on getting the managers involved. "The trend has been to get them to bring scenarios into their decision processes," he says. "That's actually quite hard, and we've had a few false starts. But we need to help people make decisions on quite focused issues, down to the level of a specific strategy in a given country, or a specific project."

At the same time, he reports, there is a rising level of interest outside. "We get one or two companies a week calling us up to ask our advice on scenarios. If we were a consultancy, we'd be making a lot of money."

There are a number of consultancies doing just that. Global Business Network, of California, was set up in 1988 by Peter Schwartz, a former head of scenario planning for Shell. Northeast Consulting Resources, of Boston, was founded by a group of consultants from Arthur D Little who had previously done *scenario work for IBM.*

According to Keith Anderson, Northeast Consulting's senior associate in Europe, the difference in origins is fundamental. Where Shell began with geopolitical change, the computer industry was more concerned with *detailed developments in technology.*

"What we see now," he says, "is changes in products and factor costs, and in industrial structures and boundaries. These days, you don't know who your future competitors will be. That's given scenarios a new lease of life."

Mr Rainbow would not disagree. *In the old days, he* observes, Shell's scenario work consisted almost entirely of large-scale stories about the world. Now, much of it is quick, one-off studies on issues of technology or markets, in response to demand from Shell executives.

As Mr Anderson *puts it, the* task is not merely to describe possible futures, but to identify the preferred one and work to bring it about. Microsoft, he observes, was dismissive about the internet at the outset. When *it perceived its mistake, it set out* not merely to catch up, but to take a lead in determining how the internet developed.

So what practical use do companies *make of scenarios?* That can be hard to pin down. Executives, after all, are not keen to help their competitors by laying bare their thoughts on the future.

However, some of Northeast Consulting's projects for clients give a flavour. In 1995, the US manufacturer 3M used scenarios to think about the distribution of its office products in Europe. Would very powerful pan-European distributors appear, on the US model? Or would European patterns remain diverse? And how important would electronic commerce become in 3M's markets?

The German electronics group Siemens used scenarios after forming a telecoms alliance early last year. The alliance aimed to develop switches for broadband communications. The scenarios examined the impact of the internet *on one big class of customers,* the traditional telephone companies.

Sceptics would argue that any sensible company will do this kind of forward thinking anyway. But scenario planning, for its proponents, is above all a *process: a means of forcing managers* to confront their assumptions.

James Herman, vice-president of Northeast Consulting, says: "Senior executives trust the mental model which got them where they are. But if you're in telecoms, *computing or media, the* danger is that assumptions from past experience no longer apply. So we use scenarios to update the models."

Also, he argues, managers typically work in teams, and they may sometimes have conflicting assumptions without realising it. By thrashing out scenarios together, they can spot the con*flicts and, with luck, resolve* them.

A consultant such as Mr Herman, of course, makes his living from scenarios. Mr Rainbow, a career *Shell executive* rather than a specialist, sounds a note of caution. "Some people are *looking for the magic bullet* to transform the company," he says.

"We never thought scenario planning was that. But it does help you understand a changing world."

Matt Fowler

Mendlesohn (left) and Pdahtzur: dispelling the 'ugh' factor from dentistry

PARTNERS

Whitecross

Paul Mendlesohn, 44, qualified as a dentist in 1976. Thirteen years later, he founded the concept of a high-street dental chain, called Whitecross. In 1990, Avner Pdahtzur, 44, became a partner. They have six dental practices in London and a turnover of £3.5m. In May, they became the first dental business to float on the Alternative Investment Market.

Paul: "Within nine months of opening the first practice, I had four dentists working full time which amazed me. Traditionally it would have taken four to five years to build up a practice because dentists relied on word of mouth. It was only after the rules on advertising changed, in 1987, that the concept became possible.

We're now finding that a lot of our patients have a regular dentist in the suburbs where they live, but have got sick of losing half a day's work every time they need a check up. The whole idea of a high-street chain is dead simple, yet people still find it difficult to grasp.

Dentists are no different to opticians. Fifteen years ago their industry was just as fragmented, now the majority of people go to an optical chain.

It took Avner five years before he could persuade a venture capitalist to invest in us; they either said: 'Interesting idea, can't see it working', or 'If it's that good why has nobody done it before?'

We got endless rejections but neither of us stopped believing in the concept. Avner was brilliant at putting together paper projections which I would have found a nightmare. He leaves me to manage the clinical side so in many ways we're perfectly balanced."

Avner: "When I joined, Paul had already written a minimalist business plan and opened his first Whitecross in Camden which was quite impressive considering his qualifications were in dentistry, not business.

It took about a year of working part time before I'd created a proper set of accounts, which meant we could then communicate with the banks and borrow more money.

I'm much more numerate than Paul. He'd rather work on gut feelings, whereas I need everything to add up. His key contribution has been the way that the business looks and feels. I fought long and hard not to have fresh flowers in every surgery because they cost money. He kept saying, "No Avner, you don't understand these things" then went ahead anyway.

Paul is keen to dispel what he calls the 'ugh' factor of dentistry by creating a pleasant environment. We don't want people walking in and thinking they are going to be ripped off, or hurt, which is one of the reasons we have a consultation table in every practice. It means the dentist can explain things properly.

Quite often a patient won't have a clue how much treatment costs. They come in expecting a £20 check up, then discover they need £1,000 worth of work. Tooth decay is not going to disappear over night which means that dentistry is probably one of the safest industries to invest in. Unfortunately, we still have difficulties communicating this to would-be investors.

In America there are seven or eight dental companies trading on Nasdaq so people can make comparisons. Over here, we're still regarded as the only lunatics in town."

Fiona Lafferty

How to handle R&D

As innovation moves to the top of many corporate agendas, the spotlight is on the management of research and development. How best can companies *improve the* effectiveness and efficiency of their technology and innovation management?

A study by Arthur D Little, management consultants, of 57 senior European technology managers identified pressures *from two main directions.** Companies are being asked to respond more quickly to new opportunities and threats. At the same time, they have to improve the return on investment.

Some obstacles crop up again and again. There is too little *technological understanding* among top management and there is a mismatch between the long-term outlook of some parts of the business and the short-term demands of others. Some technology managers also have difficulty linking their role with the goals of the business.

Companies which had made the greatest strides to overcoming these problems, it found, tried to map out the likely progress of their technologies. They had also appointed a chief technology officer to the top team and *brought business and technology* managers together within a formal structure. Such moves are not easy since R&D staff are still perceived to lack market orientation. Possible ways of dealing with this problem include introducing a programme to help R&D staff *meet customers and allowing* R&D leaders to get business exposure through job rotation.

Another important theme underlined in the ADL study is the impact of globalisation. The benefits can be numerous: it gives companies access to the *best brains and ideas from other* areas; it helps companies understand customers in other parts of the world; it helps open doors to business alliances and contracts and it can save costs.

Some industries, such as pharmaceuticals, are relatively experienced at managing global *R&D, says ADL. Others, such as* the automotive and food industries, are still learning how to share information and projects across boundaries.

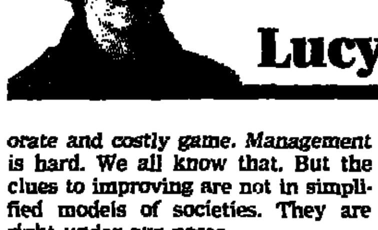
The emphasis on globalisation means that restructuring may be here to stay – although ADL *notes that many people would* welcome a period of stability and warns that some companies have downsized too much.

"A large number of companies ... have been horrified by the effects of attempts in the early 1990s to tighten up R&D efficiency which led instead to undesirable side-effects such as an overwhelming emphasis on the short term," it says.

**Priority Issues in Technology and Innovation Management. Arthur D Little International, Boulevard de la Woluwe 2, B-1150 Brussels, Belgium, tel: (32) 27620731*

Vanessa Houlder

Losing the plot with bitter class warfare



Lucy Kellaway

I have discovered the ultimate nightmare in training programmes for managers. That is *some accolade* when you consider the amount of role-playing and scrambling through freezing bogs that routinely goes on in the name of management improvement.

This programme is in a different league from all those dreadful others. For a full week a small group of managers *agree to relinquish every* aspect of their ordinary lives and set up their own micro-society in Massachusetts. On arrival at the Cape Cod Conference Centre some are stripped of their belongings and labelled immigrants. *Others are chosen to* form the elite class – they can drink *wine, but are beset by a paranoid* need to hold on to their privileges. The rest are designated "middles", and are threatened by the underclass and harassed by the elite.

After a few days of bitter caste warfare, this fun game comes to an end and the next few days are spent in analysis of the previous days. The effects, are – apparently – devasting. According to an admiring article about the course in the latest issue of Fast Company, the right-on US business magazine, many of the participants are brought to crisis point. Some others are so disturbed that they are inclined to crash their cars. Many leave their jobs within a year of taking the course. But all gain a profound insight into their own motivation and the way in which organisations work.

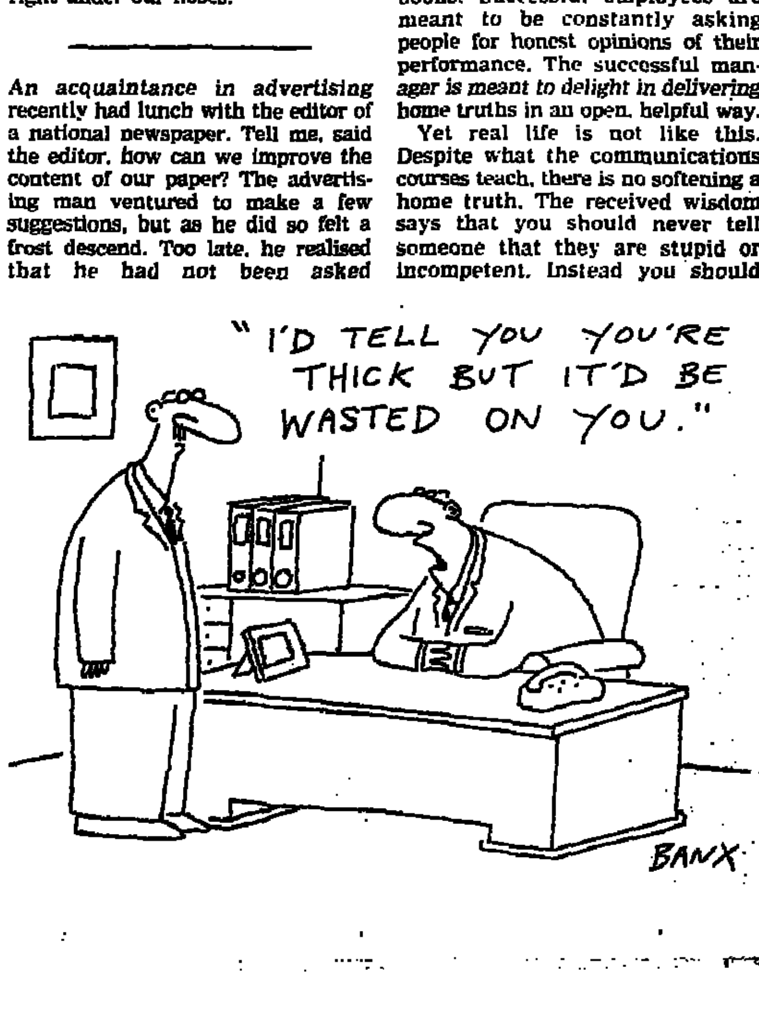
One can only despair at the lack of common sense among US managers. The fact that anybody pays good money to undergo something so *uncomfortable and unnecessary* suggests they have lost the plot altogether. To be a better manager you do not need anthropological theories on how societies function. To under*stand the way you relate to your* colleagues it is not necessary to give up your belongings and play an elab*orate and costly game. Management* is hard. We all know that. But the clues to improving are not in simplified models of societies. They are right under our noses.

An acquaintance in advertising recently had lunch with the editor of a national newspaper. Tell me, said the editor, how can we improve the content of our paper? The advertising man ventured to make a few suggestions, but as he did so felt a frost descend. Too late, he realised that he had not been asked *to criticise at all, but to admire.*

The anecdote exposes a weakness in the present craze for feedback. Solicit feedback! say all the self-help books. Successful employees are meant to be constantly asking people for honest opinions of their performance. The successful man*ager is meant to delight in delivering* home truths in an open, helpful way.

Yet real life is not like this. Despite what the communications courses teach, there is no softening a home truth. The received wisdom says that you should never tell someone that they are stupid or incompetent. Instead you should describe the occasions on which they exhibited these tendencies. Thus the stupid and lazy person is supposed *not to take it personally, but to see* a way to improve. This is fantasy: you would have to be outstandingly stupid not to see through this gimmick.

The answer is for those of us who are unable to take criticism, to never, *ever* ask for feedback. If you are doing something badly wrong, it is *the duty of your superiors to* let you know – whether you ask for the information or not. But if you are are bumbling along in a fair to middling kind of a way, better to keep your head down. Ignorance is bliss.



These have been thin weeks for business news; and the Wall Street Journal Europe has been feeling it as keenly as the rest of us. Last Tuesday it resorted to filling a chunk of pages one and two with a description of Teletubbies, the cult British TV series aimed at one- to four-year-olds.

I would love to know what the average investment banker made of Dipsy, La-La, Tinky-Winky and Po. The WSJ gave the subject its usual conscientious treatment, wheeling out an impressive number of quotes *that filled the space nicely. Despite* its blandness, the purpose of the piece was clear: the Brits are bonkers.

I have just thought of a way of making Teletubbies less perplexing to an American business audience: turn it into a management training course. Managers could dress up in the hot, heavy costumes, and lose their inhibitions by bumping each others tummies and doing the Teletubbies dances. Untold insights into team behaviour would flow I have every confidence.

BUSINESS EDUCATION

Distance does not deter Canadian managers, says Della Bradshaw

Express delivery

TECHNOLOGY

With its biggest cities strung out across a continent and a 4½-hour time difference between its east and west coasts, Canada is a difficult place when it comes to logistics. However, this has not prevented the Richard Ivey School of Business at the University of Western Ontario from devising an executive MBA course which is taught simultaneously across the country.

The first class of students from the two-year Video Executive MBA programme (Vemba) graduated this summer. The classes were taught in London, Ontario, Ivey's home town, but students participated as far afield as Calgary, Edmonton and even Vancouver.

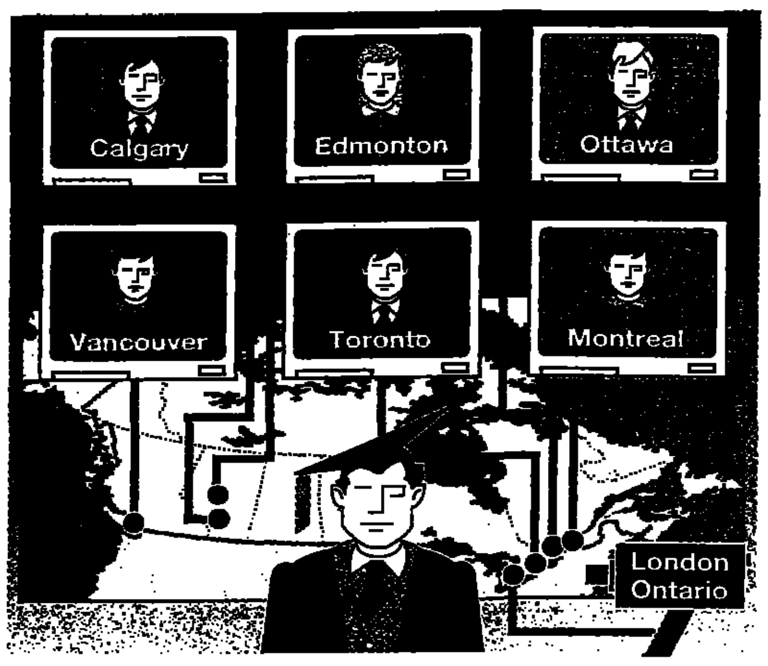
The time difference is overcome using videoconferencing technology. Students study two full days in the "classroom" – Friday and Saturday every other week – on seven sites. In Toronto that means starting classes at 10am and finishing at 7pm; students in Vancouver start classes at 7am and finish at 4pm.

The Ivey school is planning to open an eighth campus in Mexico and possibly a further site in California, says Paul Bishop, director of the executive MBA at Ivey. The sophistication of the technology – each site is connected by six ISDN lines, triple the capacity of many systems – precludes further sites opening in more remote locations.

Faculty members teaching from the London, Ontario studio are faced with a bank of videoconferencing terminals, each one showing the students assembled at the different locations. There is also a document camera, used to send computer graphics or overhead projector images. At each student site there is one screen showing the lecturer and a second displaying the documents.

To ask a question, one of the eight or 10 students on each site presses a button and the camera zooms in. That picture is sent to the other sites and displayed as a smaller picture – "picture in picture" – on the screen.

The students require no special training to use the equipment. But the academics have had to adjust their presentations to deal with the transmissions, says Prof Bishop. In particular they have had to be better organised, to make the best use of the document camera.



As a result the classes are more formal, but only slightly. "As a teacher I'm confident we can deliver a comparable educational experience to the course in Mississauga [the site of the more traditional executive MBA]," says Prof Bishop.

To ensure students have real contact with each other they meet locally in their study groups every week, usually to discuss case studies for a future class. They spend two weekends a year in London, Ontario with the whole class and an overseas study element often involves students working together on projects.

The international project is a required part of the course and paid for out of the course fees – C$52,000 (£23,450) in total for the two-year programme (1997 prices).

The course participants have an average age of 37 and more than 10 years' work experience, so it is not surprising that some 80 per cent of them have their course fees paid by their employers. Since all the students work full-time while doing the course, the company has to recommend the student and commit to the time off needed. "You can't have people shot down from behind at work," concludes Prof Bishop.

Jobs with a difference

Pack up your MBA in an old kit bag

Back-packing does not rank among the world's most important management skills. Unless you are Tony Wheeler, that is. He has built up an A$30m (£15m) business out of one of his favourite activities: travelling.

An engineer by profession, Mr Wheeler went to London Business School in the early 1970s and fully intended to return to engineering on completing his MBA course.

But before taking up his job at Ford, Mr Wheeler decided to take a year off with his wife and travel overland to Australia and back.

He did not come back. Instead he settled in Australia, took out dual nationality and wrote his first travel guide, *Across Asia on the Cheap*, "an all the way London to Sydney sort of thing," as Mr Wheeler describes it.

The journey to Australia took seven months and writing the book a further six. "We started it all because that's what we wanted to do," says Mr Wheeler.

After that he wrote *South-east Asia on a Shoestring*, from which the popular series of travel guides was born.

More recently Mr Wheeler's company, Lonely Planet Publications, has moved into country-specific travel guides, intended for a more mature clientele.

Today Australia counts for just 12 per cent of Lonely Planet's sales. As well as Australia, the company has offices in San Francisco, where all the books for the US market are produced, London and France, where a proportion of the books are translated into French.

Mr Wheeler believes that he still spends five months of the year travelling, often with his teenage children. This enables him to road test the guides he sells and identify where the spin-offs might be.

His other main tasks are to look down the road and pick up ideas – "I'm still quite good at that" – update and write some of the books and do the publicity for the company.

While he is away he deems himself lucky to have capable employees who can take care of the business.

Several of them, he points out, have MBAs of their own.

DB

BUSINESS TRAVEL

Travel Update · Roger Bray

Luggage move

British Airways is curtailing seat sales to passengers needing to change aircraft at London Heathrow in an effort to ensure that fewer customers arrive at their final destinations only to find that their bags have failed to make connecting flights. The problem has been exacerbated this summer by a surge in transfer traffic which has coincided with the installation of a new baggage system in the airport's short-haul Terminal One. The airline says connecting passengers now represent 35-40 per cent of its total traffic at Heathrow. BA has not quantified the extent of the restrictions, which are expected to remain in place until the quieter, winter period begins in November. Even in the worst weeks, it claims, the number of bags delayed has been fewer than 1 per cent. But the airline needs to balance lost ticket revenue against the need to maintain service levels.

Helicopter link

Manila's notorious traffic congestion has persuaded the city's Peninsula hotel to start a helicopter link, either with Ninoy Aquino International Airport or its domestic counterpart. Aimed specifically at business customers, it takes between five and 10 minutes, against an average of 45 minutes by car, and costs US$100 one way.

Air accidents

Better compensation is in prospect for the relatives of future air crash victims. EU airlines face new regulations which should make it easier for dependants to seek redress through the courts. Brussels has proposed two main changes in the present regime. One is a Europe-wide ceiling of SDR100,000 on the amount carriers are obliged to pay without costly legal action. The other should help people making bigger claims. Previously those seeking to break through the ceiling, which was not the same for all countries, had to prove that the airline had acted recklessly. Now the carrier will have to show that it did everything possible to avoid the accident. The new rules are broadly similar to a voluntary scheme launched recently by the International Air Transport Association and agreed by many of its members.

Tanzania route

Emirates is to launch flights between its Dubai base and Dar es Salaam, on 28 October 28. The airline will fly twice a week to the Tanzanian capital, on Tuesdays and Thursdays, using an Airbus 310-300 and offering first, business and economy classes. Its African operation already includes services to Nairobi and Johannesburg.

Laptop luxury

Guests at London's Royal Garden Hotel will soon have access to the internet en route to and from the airport. From November, they will be able to use a new, stretched Daimler limousine with a plug in point for laptops. The recently refurbished Kensington hotel already offers internet access from its rooms for a flat fee of £12 a day. The intention is that customers should use their own laptops, but the management can provide a computer if necessary.

Air route

New daily services between Copenhagen and Geneva will be launched on October 26 under a code-sharing arrangement.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	28	27	28	29	29
Hong Kong	30	30	32	30	31
London	24	22	22	22	19
Frankfurt	30	28	26	24	22
New York	25	24	26	27	26
L. Angeles	25	25	24	24	23
Milan	26	27	26	24	22
Paris	29	22	24	22	20
Zurich	26	24	23	22	19

Information supplied by Meteo Consult of the Netherlands. Maximum temperatures in Celsius

Roger Bray looks at the impact Hong Kong's new airport will have on the leisure industry

Up, up and away

Guests who emerge sweat-soaked from the exercise room at Hong Kong's Island Shangri-La Hotel are likely to be offered dry, white T-shirts to brave the chilly air conditioning in as they return to their rooms.

It is one of those small, but unforgettable touches of quality service that have helped justify the former colony's hoteliers in charging some of Asia's highest prices.

Steep prices, however, are becoming harder to charge. Since the transfer to Chinese rule at the end of June, the bottom has fallen out of the leisure market. It is difficult to tell whether business travel, for which high summer is a quiet time, will also be affected. But if hoteliers are forced to discount tourist prices, there will also be downward pressure on corporate rates.

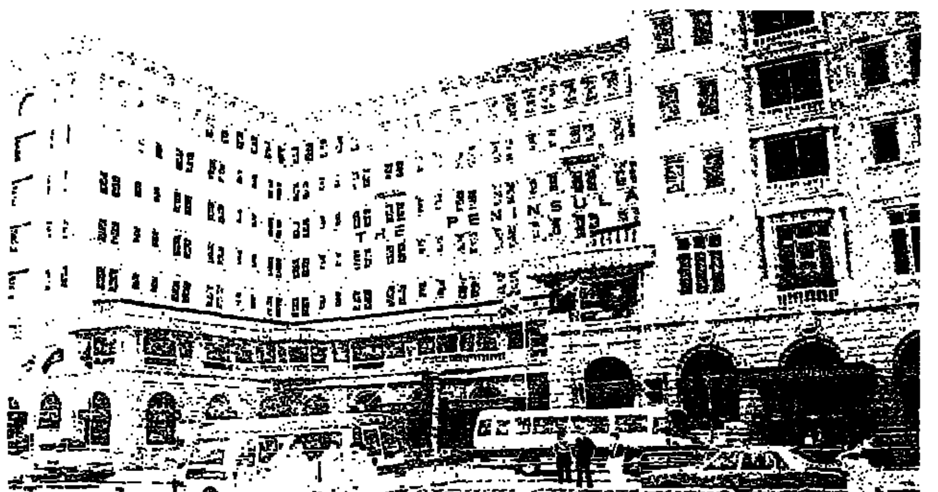
One company providing ground arrangements for incoming tour groups says it handled only 5,330 visitors in July compared with 12,433 in the same month last year. In recent weeks, hotels have been running about 60 per cent full, against the normal 80 per cent to 85 per cent.

The question facing Hong Kong's travel industry is whether this is merely a blip – a vacuum left by a rush to get there in the dramatic final weeks before the handover – or a longer-term desertion prompted by, so far unjustified, fears of People's Liberation Army troops in the streets. Provided life continues undisrupted, such unease should be short-lived, although the Japanese, who have been deterred by a historic wariness of China, may take a little more reassuring.

But there are other problems. A leading UK tour operator believes hoteliers have become greedy: "They have always been able to charge a premium, but now an extra night in Hong Kong would cost about four times the price [of a night] in Bangkok."

The gap has been widened by foreign exchange turmoil in the Asia-Pacific region, where the Hong Kong dollar, pegged to its US counterpart, has remained stable, while the Thai baht and other currencies, including those of Malaysia and Indonesia, have tumbled.

Even if leisure traffic recovers quickly, rates could be restrained by a huge increase in hotel capacity. At least three properties are being built in the vicinity of the new airport at Chek Lap Kok, scheduled to open next April. And the Marco Polo chain is developing a 330-room, "five-star plus" hotel on Kowloon's waterfront, part of an enormous shopping and office complex close to the Star Ferry pier.



Fly to the airport: a helicopter will transport the Peninsula Hotel's guests to Chek Lap Kok

Douglas Barber, vice-chairman of the Hong Kong Hotels Association, describes this expansion as "an unprecedented development boom". Between 1996 and the end of the century the number of properties will have risen from 88 to 120 and the total number of rooms will have increased by about 12,000 – or one-third.

Preparations for the airport, gaining coherent shape on reclaimed land off Lantau Island, have not been without hiccups. Airlines face sharp increases in landing and other handling charges. Cathay Pacific, which will be the airport's principal user, believes opening demands will be moderated. If not, it claims, the cost of turning round a Boeing 747 would jump from HK$25,000 (£2,000) at the existing airport, Kai Tak, to HK$75,000. And while the airport is scheduled to open in April, its HK$34bn rail link will not be ready until June. One recent report said accelerating it could cost around HK$35m a month in additional wages.

The upside is that Chek Lap Kok should attract more passengers, including transfer traffic. Kai Tak was designed to cope with 24m passengers, but last year it handled 31.5m. It has been forced to turn down many requests for extra flights.

There will be no night curfew at the airport and lifting pressure on slots will enable airlines to fly more frequently and could justify the operation of smaller aircraft on new routes where business does not support the use of wide bodies. With traffic in the Asia-Pacific region forecast to treble between 1995 and 2010, this should ensure that the airport becomes a major hub.

It is not just space which makes Chek Lap Kok a shining hope, but also the convenience. Even though Kai Tak is so close to the leading hotels that guests can watch jets taking off from high windows, getting there through an often-congested harbour tunnel from Hong Kong island can be slow and frustrating.

The Airport Authority claims that a newly built tunnel, road and bridge system will keep the average taxi ride to Chek Lap Kok down to 30 minutes. Trains will run every four minutes, taking 23 minutes from the island (18 minutes from Kowloon), and passengers will be able to disembark opposite their check-in desks. There will also be desks downtown. Cathay plans 51 at two stations.

The Peninsula Hotel hopes to offer an eight-minute helicopter link from the roof of its new tower. Guests will wait for their flights among aviation memorabilia in the top-floor China Clipper lounge.

With Kai Tak closed, advertisers should be free at last to use flashing signs – at present considered a potentially hazardous night-time distraction for pilots – on tall buildings. Maybe Hong Kong's hoteliers should use them to blaze the message they are desperate for the world to hear – that, in spite of the handover, it is business as usual.

A precaution in your pocket

Next time you are kidnapped while travelling on business, why not hand your captor a false passport?

A company called Scope International is marketing camouflage identification for travellers who believe themselves vulnerable to terrorist and other threats. Since it would be fraudulent to issue a dummy passport for a real country, Scope instead offers passports for recently extinct nationalities. Examples include Burma, Rhodesia, British Honduras and New Grenada.

In theory, these can then be brandished at assailants looking for western business travellers rather than tourists from a small, harmless country. The passports have embossed covers, the holder's photograph, entry and exit stamps, an official seal and a security hologram.

For its fee of £249 ($406), Scope also gives customers two corroborating forms of identification, such as a club membership card and a federal insurance card.

Scope claims that many government officials use camouflage passports when travelling and that during the Gulf war several petroleum engineers were able to leave Kuwait on passports it had sent them. However, the passports do assume a certain level of geographical ignorance on the part of the captor.

"I ALWAYS TRAVEL IN BRITISH HONDURAN NATIONAL COSTUME."

Richard Fenning, business development manager for travel security consultancy Control Risks Group, is sceptical for other reasons. "It is a high-risk strategy to pretend to your kidnapper you are someone you are not," he says.

"Unless you are specially trained, the strain of sticking to a cover story will be too much to endure for most people."

Amon Cohen

OPENINGS

UTRECHT
The Holland Festival of Early Music opens on Sunday with Giovanni Bononcini's *Il trionfo di Camilla* (1696). Jos van Veldhoven conducts a staging by Jos Groenier.

STUTTGART
Every second year, German conductor Helmuth Rilling and his Bach Academy present a two-week festival of music, backed by lectures, masterclasses and open rehearsals. This year's programme, entitled 'Approaches to Romanticism', opens on Sunday with a performance of Beethoven's *Missa Solemnis*.

COLOGNE
An unusual experiment in multi-lingual Shakespeare gets underway at Halle Kalk on Sunday, when Karin Beier's new staging of The Tempest opens the 1997-8 Cologne theatre season. The cast is made up of 12 actors from eight European countries, all of whom will speak in their mother tongue. The British representative is Faith Tingle.

BERLIN
The new season at the Deutsche Oper begins on Sunday with a revival of Götz Friedrich's staging of *Tristan und Isolde*, conducted by the company's new music director, Christian Thielemann. The title roles are sung by René Kollo and Sabine Hass. The first new production will be a tribute to Kenneth MacMillan on September 6, featuring the Berlin premiere of his Mahler ballet *Das Lied von der Erde*.

LONDON
Proms highlights this week include tonight's semi-staged performance of the Glyndebourne production of *Le comte Ory*, a Dankworth and Ellington night with Cleo Laine on Friday and a concert by the Swedish Radio Symphony Orchestra under Esa-Pekka Salonen on Sunday.
The season at Shakespeare's Globe continues this week with new productions of two non-Shakespeare plays: *The Maid's Tragedy*, directed by Lucy Bailey (left), on Tuesday, and *A Chaste Maid in Cheapside* (far left), directed by Malcolm McKay, on Wednesday.

EDINBURGH
T.S.Eliot's play *The Cocktail Party* had its premiere at the 1949 Edinburgh Festival. Now the actor-director Philip Franks stages it there again. His Royal Lyceum Theatre Company production opens tonight at the King's Theatre.
Each year, the Edinburgh Festival sees a different production (Verdi, Aeschylus, Shakespeare, Chekhov) by the celebrated director Peter Stein (inset, above). This year, following his Italian *Uncle Vanya* of 1996, he brings his German-language *The Cherry Orchard* (above) from the Salzburg International Festival.

SCARBOROUGH
[illegible]

One man and his band

As Sir Neville Marriner takes a back seat, **Andrew Clark** ponders the future of the Academy of St Martin in the Fields

If you were to list the most successful partnerships in British music, Sir Neville Marriner and the Academy of St Martin in the Fields would surely be near the top. But for how much longer? In the public eye, the ASMF is so closely associated with Sir Neville that there are fears it may not survive his retirement, which he is expected to announce during his 75th birthday concerts in 1999.

The orchestra's future has become the subject of intense speculation among London's freelance musicians, many of whom depend on it for their livelihood. ASMF regulars are trying to devise a self-governing formula which would give them a voice in how it evolves and who is chosen as Marriner's successor now Sir Neville has made clear he wants to take a back seat.

Until recently, Marriner *was* the Academy. He chose its members, decided repertoire, conducted recordings and acted as front-man. Now 73, he has begun to scale down his engagements, leaving the players with a choice – to disband, or organise their own future.

The Academy has come a long way since Marriner and a few like-minded friends organised their first concert nearly 40 years ago. The idea was to play a repertoire and achieve standards which London lacked in the 1950s. The Academy of St Martin in the Fields, named after the London church where it first played, quickly found itself in the vanguard of the baroque revival. Recordings on the L'Oiseau Lyre label established its reputation, and it began picking up lucrative tour contracts. The Academy attracted the best freelance players by paying a premium rate, and by the mid-1970s, it had one of the strongest corporate identities in the musical world.

Its success was based not just on consistently high standards, but on Marriner's flair for spotting opportunities. He turned the Mozart bicentenary into a goldmine, recording most of the orchestral music as well as the soundtrack for *Amadeus*. He also had aspirations in the Romantic repertoire: it maintained the orchestra's commercial momentum, and it saved the players from endless repetition of Vivaldi's *Four Seasons*.

The question now is whether the ASMF can generate the same amount of work with another conductor. It already undertakes small-scale tours with its leader, Kenneth Sillito, and longstanding associate, Iona Brown. Neither would be able to fill Marriner's shoes, and most big-name conductors prefer working with a full-time symphony orchestra. ASMF musicians recognise that once Sir Neville goes, it will have to revert to its role as a chamber orchestra.

That means finding a conductor who can rejuvenate its baroque and classical repertoire, where the Academy's polished but impersonal style has gone out of fashion. Nicholas McGegan, a period specialist, was considered, but nothing has come of it. The Academy has now approached the pianist Murray Perahia, whose un-pushy personality scores highly with the musicians – enough to make up for his inexperience as a conductor. They hope he can graft his Mozart and Beethoven onto the Academy, while branching out into the baroque and early Romantic repertoire. He has has been pencilled in for concerts in Switzerland and Greece next year.

Marriner: at the Proms this week on tour with the Leipzig Gewandhaus Orchestra

While the succession issue simmers, the ASMF is consolidating its structure. In May it invited 50 players to accept formal membership. The move not only cements the link with its best musicians, but gives them a stake in its future. After next month's tour to Mexico, members will choose the ASMF's first democratically-elected board.

At present, the Academy is better known abroad than at home, where critics tend to dismiss it as a slick recording orchestra. This image is reinforced by Marriner's disdain for public funding. He has always shunned the Arts Council, arguing it would interfere with the Academy's artistic policy; and he accuses the BBC of refusing to pay for sufficient rehearsal time – which explains why his two Prom concerts this week are on tour with the Leipzig Gewandhaus Orchestra, rather than with the Academy.

"The Academy does what it can afford to do," says its manager, Mrs George Brown. "We earn our living from tours and recordings. Any surplus is ploughed back into UK concerts and education work." With the record market in decline, however, the ASMF is keen to re-establish its "public" base at home. To do so it needs sponsors, and it has recently signed a deal with Northern Telecom worth £180,000 over three years.

Thanks to Norcom the Academy has increased the number of self-promoted London concerts next season to six, and commissioned a cello concerto from Sally Beamish. And after eight years it is returning to the church after which it is named. The two had fallen out over the Academy's attempt to patent the St Martin's name. Moves to end the rift began last year when a new vicar arrived, coinciding with the ASMF's appointment of Brown, a St Martin's bell-ringer in her spare time. The reconciliation will be sealed by an Academy sextet concert on September 5 and a Christmas festival.

Meanwhile, the Academy is making the most of Marriner. This year there have been sold-out tours to Germany, the US, Paris and Hong Kong. Philips is planning a Marriner retrospective for his 75th birthday, and Hänssler, an independent German label, has given him *carte blanche*. Unlike members of London's permanent orchestras who sneer at his technical limitations, ASMF musicians have *nothing* but respect for Sir Neville. "He knows how to identify problems, and he gets the best out of people in the nicest possible way", says one Academy regular. "You wouldn't class him as one of the great conductors – he's just part of a very effective artistic outfit which he created. He's more comfortable with his own orchestra because he has the confidence it will know how to execute what he wants."

Marriner, who began his career as a violinist in the London Symphony Orchestra, originally envisaged the Academy as an enlarged string quartet, in which everyone had equal input. He talks nostalgically about its early tours, when the musicians played less for money than for pleasure, and the Michelin guide was as important as the music. Today's "big band" of 75 players hardly allows such leisurely intimacy, and for that reason, Sir Neville believes it will do no harm to revert to a chamber ensemble. He lambasts the "timid" way in which authentic specialists tackle the classical repertoire, and says period instrument ensembles do not belong in the modern concert hall.

And there lies the ASMF's strength. Unlike London's other orchestras, it can be enlarged or reduced to serve whatever repertoire it is called upon to play, and no one plays who does not command the utmost respect of his or her colleagues. The Academy is a meritocracy. That is the secret of its longevity and the key to its future.

Marriner conducts the Leipzig Gewandhaus Orchestra at the Royal Albert Hall (Wednesday, Thursday), Birmingham (Friday) and Manchester (Saturday).

Pesaro

Rossini lost to gimmicky productions

In 1992, when the Rossini Opera Festival in the Italian resort of Pesaro announced a production of *The Barber of Seville*, fans of the festival were unusually curious and expectant. As a rule, it is the rarity of its offerings that attracts Pesaro audiences. But, as these productions are based on the critical editions of the scores, sponsored by the Fondazione Rossini, even as popular a work as the *Barber* could give the audience some surprises. The 1992 staging in the Teatro Rossini was a dud: humourless and gag-ridden. Revived for this year's festival, after some tinkering by the designer, Giovanni Agostinucci, and the producer, Luigi Squarzina, it is only slightly improved (the corpse has been removed from Dr Bartolo's operating theatre), and Squarzina's staging has gone from busy to frantic. Everyone on stage seemed to be shifting chairs or picking up articles of clothing dropped by colleagues.

Fortunately, the conductor, Yves Abel, led a clean, fresh reading of the score and he had a generally excellent cast at his disposal; only the Barber himself, Roberto Frontali, was blustery and superficial. The delightful Sonia Ganassi (something of a Pesaro discovery) created a pert, endearing Rosina, superbly touching in the final trio, and – although the last, long aria created difficulties for him – Paul Austin Kelly was a tender Almaviva. Patrizia Biccirè, another Pesaro find, made Berta's trivial aria sparkle.

But the main event of this year's festival was the staging of *Moïse et Pharaon* in the vast Palazzo dello Sport. First given in Paris in 1827 (only two years before Rossini's final opera, *Guillaume Tell*); this solemn work is an elaborate recasting of a Neapolitan opera-oratorio, *Mosè in Egitto* (1818). After its Paris success *Moïse* was back-translated into Italian and ousted its predecessor.

Given at Pesaro a few years ago, the original *Mosè in Egitto* impressed audiences and critics, kindling a debate about the relative merits of the two versions. There is no simple answer: the shorter, Italian opera has its own vigour and richness, the slower, more stately *Moïse* is undeniably affecting. Alas, Graham Vick's approach was wrong-headed, self-indulgent, and almost viciously destructive.

To emphasise the vastness of the Palazzo, he had the stalls removed, so the orchestra was at floor level, the conductor facing an elliptical playing area dominated by a large platform which could rise and sink. The main floor was enclosed by a narrow trough with a few inches of water – a liquid runway. Below it, the floor was covered with dirt. So singers were made to wade in the water and roll and flounder on the dirt.

The Paris opera notoriously demanded stage-effects, and Rossini's French librettists provided several: a rainbow, a volcano, a plague of darkness, a shattered idol, and, of course the crossing of the Red Sea. Contemptuous of the libretto, Vick invented his own, far inferior effects (mummy-cases lowered on wires, a burning book instead of the burning and reflowering bush), constantly distracting from the splendid music. In addition, he made the opera "timely" by dressing the Hebrews in Warsaw-ghetto costumes.

Vick placed the singers awkwardly, sacrificing the music to his visual silliness. Rarely were the two participants in a duet allowed to be near each other. Pharaon and his son sloshed at opposite sides of the orchestra. Often, the singers were the length of a football field from the conductor (Wladimir Jurowski, who drew impassioned, if not always in tune, playing from the Bologna orchestra).

Michele Pertusi, the Moses, has sing often and well in the festival. His light bass voice, when he was allowed to approach the audience, sounded persuasive. At a distance, he was barely audible. His antagonist, Pharaon, was the imposing, dignified Eldar Aliev. In a humbler production this would have been a memorable evening.

William Weaver

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Eliahu Inbal in works by Korngold, Ligeti and Beethoven, with cello soloist Peter Bruns; Aug 28

■ EDINBURGH

Edinburgh International Festival
Tel: 44-131-473 2000
CONCERTS
Bank of Scotland Fireworks Concert: Brad Cohen conducts the Scottish Chamber Orchestra in the traditional Festival finale. *The programme includes* Shostakovich's Festival Overture, works by Handel and J Strauss. If you can't get a ticket, try the view from Calton Hill; Aug 28

DANCE
Nederlands Dans Theater III: Tears of Laughter, choreographed by Jiří Kylián. Sister company of Nederlands Dans Theater 1, formed for mature dancers. Programme of five separate works; Edinburgh Playhouse: Aug 28

THEATRE
● The Cherry Orchard: by Anton Chekhov. After the success of last year's Uncle Vanya, Peter Stein returns to Edinburgh with Chekhov's most famous play, in a Salzburg Festival production seen there in 1995 and 1996. Jutta Lampe is Ranyevskaya. Performed in German with supertitles; Edinburgh Festival Theatre; Aug 28
● Measure for Measure: by Shakespeare. Directed by or Stéphane Braunschweig. Unlike *The Winter's Tale*, which was *Braunschweig's French language* contribution to the 1994 Festival, this production, staged by the Nottingham Playhouse, is in English; Royal Lyceum Theatre; to Aug 26

■ LONDON

BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
CONCERTS
● BBC Singers: conducted by Bo Holten in a programme which includes works by Brahms and Schoenberg; Aug 28
● BBC Symphony Orchestra: conducted by Oliver Knussen in a programme which combines English and American folk songs and includes the European premiere of Elliott Carter's *Allegro scorrevole*; Aug 26
● Leipzig Gewandhaus Orchestra: conducted by Sir Neville Marriner in a programme which includes the UK premiere of Hans Werner Henze's Second Sonata for Strings, Mendelssohn's Violin Concerto in E minor, with soloist Leila Josefowicz, and Schubert's Symphony No. 9; Aug 27
● Leipzig Gewandhaus Orchestra: Alfred Brendel performs the Piano Concerto in A minor Schumann wrote for his wife. The programme includes works by Wagner and Mendelssohn and is conducted by Sir Neville *Marriner*; Aug 28

OPERA
● Count Ory: by Rossini. Semi-staged performance given by the Glyndebourne Festival Opera, with the London *Philharmonic Orchestra* conducted by Andrew Davis; Aug 25

■ LUCERNE

International Festival of Music
Tel: 41-41-210 3080
CONCERTS
● Adrienne Soós and Ivo Haag perform piano duets by Schubert; at the Union; Aug 26
● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 26, 28
● *Anne-Sophie Mutter performs* works by Brahms, accompanied by Lambert Orkis; at the von Moos-Stahl-Halle; Aug 27
● Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in a programme of works by Strauss. With cello soloist Godfried Hoogeveen and viola soloist Ken Hakii; at the von Moos-Stahl-Halle; Aug 25
● Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in works by Keuris, Rachmaninoff and Stravinsky; with piano soloist Arcadi Volodos; at the von Moos-Stahl-Halle; Aug 26
● Tenor Peter Schreier performs works by Schubert, accompanied by András Schiff; at the Union; Aug 25

OPERA
Jakob Lenz (1977/78): by W. Rihm. Performed by the Opernensemble und Chor des Luzerner Theaters and the Luzerner Sinfonieorchester AML. Conducted by Peter Kuhn in a staging by Reto Nickler; at the Luzerner Theater; Aug 26, 28

■ NEW YORK

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
● Objects of Desire: The Modern Still Life – beginning with Cézanne, including masterpieces by Matisse and Picasso, and culminating with Pop art and contemporary works, this exhibition traces the art of this century through the various and evolving representations of *objects; to Aug 26*

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS
Arditti Quartet: in a programme including works by Pintscher; at the Mozarteum; Aug 27

OPERA
● Boris Godunov: by Mossorgski. Conducted by Valerie Gergiev in a staging by Herbert Wernicke. Samuel Ramey sings the title role. Cast also includes Philip Langridge. With the Vienna Philharmonic, the Konzertvereinigung Wiener Staatsopernchor and the Slowakischer Philharmonischer Chor Bratislava; at the Grosses Festspielhaus; Aug 25
● Die Entführung aus dem Serail: by Mozart. *New production.* Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener *Staatsopernchor; at the* Residenzhof; Aug 25, 28
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 26, 28
● La Clemenza di Tito: by Mozart. Conducted by Gustav Kuhn, directed by Ursel and Karl-Ernst Herrmann and designed by Karl-Ernst Herrmann. *With the Camerata Academica* Salzburg and the Konzertvereinigung Weiner Staatsopernchor; at the Kleines Festspielhaus; Aug 27

THEATRE
● Jedermann: by Hugo von Hofmannsthal. Revival of Gernot Friedel's production; at the Domplatz; Aug 26
● Othello: by Shakespeare. New production by London's Royal National Theatre, directed by Sam Mendes. Cast includes Claire Skinner and Simon Russell Beale; at the Perner-Insel; Aug 25

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
The Handel & Haydn Society: conducted by Stanley Ritchie in a programme which includes Vivaldi's Four Seasons. With mezzo-soprano Lorraine Hunt; Ozawa Hall; Aug 27

■ VERONA

Arena di Verona
Tel: 39-45-800 5151
CONCERTS
Verdi's Requiem Mass: Zubin Mehta conducts the Philharmonic Orchestra of Israel and the Choir of the Verona Arena. With soprano Daniela Dessi, mezzosoprano Marjana Lipovsek, tenor Vincenzo La Scola and bass Ruggero Raimondi; Aug 25

OPERA
● Aida: by Verdi. Conducted by Nello Santi (Roberto Tolomelli on *Aug 28, 31), in a staging by* Gianfranco de Bosio, revived by Susy Attendoli; Aug 28
● Macbeth: by Verdi. New production designed by Pier Luigi Pizzi, with choreography by Gheorghe Iancu. Conducted by John Neschling; Aug 28
● Rigoletto: by Verdi. Conducted by Nello Santi (Roberto Tolomelli on Aug 27 & 30), in a revival of Lotfi Mansouri's staging

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08.30
Squawk Box

10.00
European Money Wheel

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Financial Times Business Tonight

Split in the ratings

Edward Luce on a possible challenge to the Standard & Poor's and Moody's agencies

Amid the daily torrent of news and statistics, the recent report that IBCA, Europe's largest credit rating agency, and Fitch Investors Service, the third largest in the US, were discussing a merger raised hopes in the world's financial markets.

By combining forces, IBCA and Fitch – at present little known outside their core markets – would mount a challenge to the two giants of the lucrative ratings business, Standard & Poor's and Moody's Investors Services.

Described by many as an international duopoly, the "big two" are the only agencies with a genuinely global reach in an industry that is vital to the borrowing ambitions of governments and companies around the world. Holding a rating from S&P or Moody's is often a prerequisite for a borrower to come to the market – and the quality of the rating determines the cost at which a government or company can borrow.

The prospect of an IBCA-Fitch merger has therefore been welcomed by those who believe the ratings business needs a competitive shake-up and who are concerned by the powerful role of S&P and Moody's as arbiters of global creditworthiness.

"It cannot be healthy to have such an important global industry dominated by just two players," says Karl Bergqwist, head of credit research at HSBC Markets in London. "No one would question the professionalism of Moody's or S&P, but a dose of competition would be most welcome."

Although neither Moody's, which is owned by Dun & Bradstreet, nor S&P, which is part of the McGraw Hill group, publishes financial results, their annual revenues are estimated to be at least four times as high than those of their nearest competitors. Moody's, with revenues of more than \$300m last year, and S&P, with revenues in excess of \$200m, dwarf the two merger candidates, which have combined revenues of just over \$100m.

More importantly, analysts estimate that operating profit margins at the "big two" may be in excess of 50 per cent. "The big two are earning monopoly profits," says one credit analyst in New York. "They are basically in such a powerful position they can command the sort of fees other agencies can only dream of."

More than 90 per cent of revenues earned at the "big two" are derived from fees they charge to companies and governments in exchange for a credit rating. This income is supplemented by "surveillance fees" for providing an annual review of the credit rating.

In addition to straightforward company or sovereign ratings, the agencies rate a large proportion of bonds and other types of debt issued on the international markets. More than 75 per cent of all eurobonds, for example, are rated by the two agencies.

Borrowers who fail to seek a credit rating are often awarded "unsolicited" ratings by the agencies. In many cases, however, an unrated borrower is simply unable to come to the market without that seal of approval.

Bankers and investors in Europe worry that the power of the "big two" to affect the performance of bonds and other securities is too great. The effect on governments in emerging markets is often even more significant.

"Ratings affect bond pricing and also – in the extreme – the availability of future finance," says a report by the NatWest Group on the role of ratings agencies. "Governments with large deficits cannot afford a collapse in their bond prices and the consequent increase in their interest rate burden."

Officials at IBCA, which is owned by Fimalac, the French holding company, complain that the "big two" also have an unfair competitive advantage in the US market. Under rules drawn up by the Securities and Exchange Commission, publicly regulated companies can only invest in securities which are rated by "nationally recognised" rating agencies.

In spite of years of lobbying, IBCA is only recognised as a qualified agency for bank ratings – even though it has rated almost 50 countries. By contrast Fitch, which is a specialist rater of structured and asset-backed bonds and has awarded just one sovereign rating (China), is a "nationally recognised" agency.

Since a large proportion of international capital flows go through New York, this rule effectively prevents unrecognised agencies from establishing a global presence.

Known also as the "gatekeepers" of the international capital markets, the "big two" have also been criticised for adding little value to what the markets already know and at times awarding strikingly divergent ratings.

In their defence, the "big two" say they are only required to be consistent against their internal rating scales rather than against each other. Second, the two are in the fortunate position of being able to provide globally comparable ratings across all sectors.

"When we rate a Korean automobile company, we bring in automobile specialists from the US and Europe," says an official at S&P. "This gives us the kind of rating comparability no one else can call upon."

Paul McCarthy, chief executive officer at Duff & Phelps, the fourth-largest rating agency in the US, agrees that agencies add less value in the sovereign market than elsewhere. Where agencies come into their own, says Mr McCarthy, is on structured and specialist deals including securitised bonds, municipal finance and insurance ratings.

"These are phenomenally complex markets," says Mr McCarthy. "You cannot expect investors or fund managers to have the resources or expertise to rate these securities on their own."

Analysts at the "big two" point out that it requires years of investment and reputation-building to be in the position to give credible ratings to the more complex types of securities on a global scale. Investment bankers agree.

"What IBCA and Fitch would ideally need is a backer with a deep pocket who is prepared to take losses for years," says Mr Bergqwist. "What we don't want to see happening is a situation where the agencies get into a rating competition war to win business. Rating inflation is always a danger."

·LETTERS TO THE EDITOR·

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Great Mercedes ad, shame about the dealers

From Mr Howard de Souza.

Sir, Stefano Hatfield's plaudits for Mercedes' current ad campaign ("A model of its kind", Ad in the News, August 18) were as welcome to me as a piece of screeching chalk on a blackboard.

Yes, Mercedes' ad looks great, and the soundtrack breathtakingly brilliant in its simplicity. But Mercedes, like every other car manufacturer, seems unable to understand the schism between its brand promise (the perception of the brand) and the delivery of that promise by a loose network of affiliates called dealers (the reality of the brand).

I recently test-drove a Mercedes, liked it and wanted to buy one. But, when the dealer realised that I was not willing to (a) load a basic carcass with lots of extras and (b) accept a finance proposal as a fait accompli, they did not bother to call me back to advise me whether they could better it, or whether they couldn't.

Second, Mercedes and a number of (German) brands seem to have learned nothing from history. Have they forgotten the arrogance of the British car industry when faced by the challenge of Japanese manufacturers? Do they not recall that the Datsun Cherry offered such creature comforts as a radio and carpets, whereas everything was extra on British cars at the time?

The British manufacturers thought they could dictate, not respond to, customer demands and fuelled their own demise. Could the same fate befall the mighty Mercedes?

If Mercedes want to attract new customers like me with their "C" series, and if they want me to graduate through their models, they will have to try much harder than they are doing at present. Until reality and perception meet, I am afraid the brand promise is no more to me than a multi-million two-dimensional illusion.

Howard de Souza,
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Risk of relying on headline figures

From Mr Nicholas Allen.

Sir, In his article "Stock market splits" (16/17 August), John Plender seeks to correlate UK companies' stock market performance with their size, and concludes that over the last 18 months smaller companies have significantly underperformed the market, while larger companies have performed far better.

In doing so, however, he ignores one of the most significant anomalies of the current market: the substantial rise in the share prices of financial companies and the consequent effect on two of the most commonly used market indices, the FT-SE 100 and the FT-SE All-Share index.

Since January 1996, the FT-SE All-Share index has risen by about 28 per cent while, in contrast, the FT-SE Total Non-Financial index has risen by only 20 per cent. If financial companies were excluded from the FT-SE 100, this index would similarly have risen by about 7-8 per cent less than the 32 per cent rise it has experienced over the same period.

These increases are still higher than the rise in the FT-SE SmallCap Index of 14 per cent, but clearly the difference is significantly less.

These figures illustrate the extent to which one sector can influence stock market indices. With the exception of the financial sector, there is little evidence to suggest that the recent rise in UK share prices has been the result of a wholesale upward re-rating of companies' future earning potential. Rather, the rises have been a consequence of the release of improved financial results, together with a benign macroeconomic environment.

Moreover, as the above figures illustrate, the rise has not been as great as has commonly been portrayed.

As ever, investors who base their investment decisions on headline figures do so at their own risk.

Nicholas Allan,
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Justifying upstream oil investment

from Prof Paul Stevens.

Sir, The article by Robert Corzine "From minor to major" (August 19) rather misses the point concerning limited upstream investment by national oil companies outside their own territory. Surely a more logical explanation for the limited interest he correctly notes is that it makes no commercial sense for one government to invest its resources in the creation of a "cash cow" for another government to milk.

Only in two situations could such external upstream investment be justified: if the prospects of discovering further oil reserves in home territory are very poor, or if it is expected that such investment might facilitate technology transfer. The former applies in some countries but certainly not in most members of the Organisation of Petroleum Exporting Countries (if in any). The latter is debatable as there are cheaper ways to come to grips with such technology.

Paul Stevens,
professor of petroleum policy and economics,
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Wanted: a better buzz word than 'Wasp'

from Mr Selwyn Hodson Pressinger.

Sir, The term "Wasp" is clearly a misnomer ("The Wasp takes flight", August 16/17). We should remember the Wasp's British ancestors were not the primary source of emigration to the US in the 18th and 19th centuries. As well as the many Irish, there were German Protestants and Catholics, who by the 1820s were emigrating in droves. This mass exodus reached a peak in 1882, when 250,000 Germans a year were emigrating to the US, against a British figure of only 103,000.

To assimilate and advance more easily, many German and Irish anglicised their names or understated their Catholicism.

Wasps, in fact, were not just Protestant Anglo-Saxons, but came to include German and Irish Protestants and Catholics as well.

While the term "Wasgipacs" will clearly never gain currency, there must be a better word than Wasp – preferably a buzz word without a pejorative sting in its tail.

Selwyn Hodson Pressinger,
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France

Technology · **Andrew Baxter**

Reaching new depths

Sophisticated innovations are aimed at recreational divers

For scuba divers, meeting a shark can be a shocking experience – or worse. But the Shark Pod, a South African-developed gadget launched last year, puts the boot on the other foot.

Scientists have known for years that sharks are extremely sensitive, via pores in their snouts, to even trivial electrical impulses. They can detect electrical fields equivalent to a single small torch battery, according to Florida-based Shark Pod USA, which markets the protective device in the US, Caribbean and Mexico.

It took years of development and testing to produce a low-voltage electrical transmitter, powered by a rechargeable six-volt battery, that keeps sharks at least 3.5m-6m from the diver with a current about one-quarter the strength of an electrified cattle prod.

The device, which costs about \$700, is harmless to man, fish and shark, but only the sharks find the tiny current intolerable.

"It's attracting new divers, who previously would not try the sport because of fear," says Bryan Mitchell, director of Shark Pod USA. Adapting the technology for use on life-jackets or surfboards is being investigated, he says.

The Shark Pod is an example of the wide range of recent technology innovations aimed at scuba divers.

The fast pace of change partly reflects rising living standards.

"With increased spending, people are putting more into diving and other watersports," says Judith Revill, marketing manager at Ocean Leisure, the big UK watersports retailer.

As a result, technologies that were once the preserve of military or commercial divers are being developed for recreational purposes. An example is an underwater "scooter" or transit vehicle produced by the US company Farallon Systems. This is popular with navies but is now being marketed to scuba divers at about \$4,900.

Another example is the development of rebreathers for scuba divers. These "closed" breathing systems have been used for decades in military and commercial fields and recycle exhaled oxygen. One of their main purposes was stealth, as they enable divers to approach enemy shipping without giving off bubbles.

Scuba divers have traditionally used open systems in which the oxygen is exhaled and lost. Rebreathers, introduced over the past two years, roughly treble the amount of diving time and allow divers to get much closer to shy ocean creatures without disturbing them. The systems costs about \$4,000 for scuba divers compared with \$19,500-\$21,200 for commercial systems, says Michael Thomas, diving technician at the UK subsidiary of Uwatec.

This Swiss instrumentation company developed its Atlantis 1 rebreather for scuba divers with Dräger of Germany, which is credited with inventing rebreathers in the 1930s. It is a semi-closed system in which the exhaled oxygen is recycled, and the carbon dioxide is scrubbed from the exhaled gas with a form of soda lime (in a microcosm of the scrubbing systems used in power stations). "They have sold very well in places like Florida and the Bahamas, although in the UK people are less willing to spend the money," says Mr Thomas.

Broader developments in information and communications technology have also contributed to the recent slew of new products for scuba divers.

"If you were a diver who 'hung up your fins' five years ago, you would not recognise [the product range] today," says Brian Bickell, sports sales manager at UWI Circle, a Scottish-based diving equipment manufacturer and distributor.

"For 20 years it was stagnant, but over the past five years development has been incredible."

Dive computers with large, easy-to-read liquid crystal displays (LCDs), worn mostly on the wrist, have benefited both from the development of digital technologies and of life support systems for astronauts.

Computers from companies such as US-based Cochran Undersea Technology and Finland's Suunto carry an increasingly wide range of user-programmable features for controlling the gas mix and other variables. Intelligent features include computer modelling techniques to monitor ascent rates and help prevent decompression problems.

Cochran is also developing a dive mask, code-named Spectacle, which is claimed to be the first with an integrated "heads-up display". This will show mission dive information at the bottom of the diver's field of view.

Suunto and Citizen Watch of Japan are among companies producing diving watches which incorporate many features of the dive computers. Suunto's Spyder watch blinks a "slow" warning and beeps if the ascent is too fast. Citizen's recently launched Hyper Aqualand watch starts recording detailed information as soon as the dive begins and stores the data for up to 30 consecutive dives. As with most dive computers or watches, data can be downloaded to a PC when the diver has returned to the surface, and converted into graphic displays.

Beyond developments in IT, several other recent innovations combine clever use of design and materials. The Force Fin, made by a Californian company of the same name and introduced in the early 1990s, is aimed at swimmers as well as scuba divers. Its curved, flexible V-shape mimics the design of a dolphin's tail. The fins, made of a modern polyurethane-type plastic, work by "storing" some of the energy from the power stroke and rebounding to make the recovery stroke easier, increasing efficiency by 40-60 per cent compared with the best conventional counterparts.

Regulators, the link between the diver and the air cylinder, are also changing. The Mares Ruby, launched this year, replaces the conventional high-pressure valve that controls the air flow in the first stage of the regulator with a ruby. This sits like an egg in an eggcup-shaped orifice made of high-quality polymer, offering much increased wear resistance.

The Scubapro G500 – produced in Italy like the Mares – has a number of innovations including a patented system that "tunes itself" to the diver on each breath. This helps reduce the strain of pushing down on the spring in the regulator's second stage – the part that fits in the mouth – and allows the diver to breathe more naturally.

FINANCIAL TIMES
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Decision time for Mr Kohl

Helmut Kohl, the German chancellor, returns to his desk from holiday today to confront a worsening mess inside his government. Ministers, humiliated by the collapse of plans for tax reform, have been squabbling about a possible cabinet reshuffle. Now the finance minister, Theo Waigel, has made the matter more urgent by publicly proclaiming weariness after more than eight years in the job.

Mr Kohl needs to get a grip, and fast, if he is to stand a chance of leading a united and purposeful government for the remainder of its term. If he fails, he could well be defeated in the election due in September 1998.

Mr Waigel's intervention on television last week was extraordinary. While he spoke of leaving his job only after the election, his remarks destabilised the government. They also left Mr Waigel, leader of the CSU, one of the coalition's three parties, looking like a lame duck finance minister.

This would be argument enough for a reshuffle in the next few weeks. Mr Waigel has in any case outserved his usefulness. He badly mishandled the unnecessary dispute with the Bundesbank over revaluing its gold reserves. He shares responsibility for the abortive tax reform, and for the government's general failure to revitalise the economy. With difficult decisions looming – not least over European monetary union – Bonn needs strong economic leadership more than ever.

There are other reasons for surgery. The economics ministry, headed by Günter Rexrodt of the liberal FDP, seems to have trouble defining its *raison d'être*. Several other ministers are tired and lacklustre. And Mr Kohl has been struggling to assert his authority in the face of a narrow Bundestag majority, an upper house controlled by the opposition, and two quarrelsome coalition partners.

What he needs is a dramatic gesture that would enable him simultaneously to reimpose his personal stamp on the government, end the squabbling between the coalition parties and take control of the economic and fiscal agenda. Hence the weekend speculation of a reshuffle in which Mr Kohl's heir apparent, Wolfgang Schäuble, would take charge of a new super-ministry created from the finance and economics departments. Though a government spokesman denied such a move was in prospect, it would certainly fit the political bill.

There would also be disadvantages. Both the CSU and the FDP would need to be compensated for the loss of cherished ministries. Other ministers with powerful constituencies might have to be removed. Fractiousness would undoubtedly ensue.

But these risks are calculable and negotiable. The greater danger for Mr Kohl may be doing nothing and thus rendering his government impotent.

Syrian moves

The warming of relations between Iraq and Syria, two historical Arab foes, is a reminder of the perverse effects – and dangers – of the breakdown in the Middle East peace process.

It represents a tactical manoeuvre by President Hafez al-Assad of Syria, who has been working to strengthen Arab ranks against Israel's refusal to hand back conquered Arab land in return for peace. Mr Assad is also concerned by the alliance developing between Israel and Turkey, seeing it as a potential threat to Syria's security.

The first signs of a thaw with Iraq came in May with the visit to Baghdad of a Syrian business delegation eager to win a slice of Iraq's $2bn oil-for-food deal permitted by United Nations sanctions. The visit was followed by the opening of borders for business travellers. Last week, reports emerged of talks aimed at pumping Iraqi oil through a long-closed pipeline to the Syrian port of Tartous.

Mr Assad's moves to counter Israel's hardline policies have not stopped at Iraq. He has kept up the pressure on Israel through Lebanon's Hizbollah movement, which is fighting to drive Israel out of its occupation zone in south Lebanon.

He has also played an important part in the recent improvement in relations between Iran, Syria's strategic friend, and Saudi Arabia, a key US ally. In this effort Mr Assad has been helped by two important factors. The first is rising domestic pressure on Saudi Arabia's King Fahd to distance himself from US policies. The second is the surprise May election in Tehran of Mohammed Khatami, a reformist president.

The US is watching the shifting sands in the Middle East with increasing concern. Mr Assad was an important partner in the allied coalition during the Gulf war. Today, his moves are serving to highlight the limitations of the US vision of the Middle East, in which Iran and Iraq are isolated while Israel and its Arab neighbours seek peace and normal relations.

New US commitments to breathe life into the deadlocked Palestinian-Israeli peace talks, as proclaimed by Madeleine Albright, secretary of state, earlier this month, are essential. And Syria has welcomed them as a step in the right direction. But closer US attention will also have to be paid to the Syrian-Israeli peace front.

Mr Assad's price for peace is the return of the Golan Heights captured by Israel in the 1967 war – a move Benjamin Netanyahu, Israel's prime minister, has so far ruled out. When Mrs Albright makes her promised trip to the region next month, she would be wise to include Damascus on her itinerary and give Mr Assad a hearing.

Tartan taxes

It is a truth almost self-evident about modern democracy that electorates dislike voting for tax increases. Both main British political parties accept this; so it may be wondered why the Scots should take a different view.

True, the tax-varying powers envisaged for a Scottish parliament could, in theory, result in lower tax levels north of the border. But those voting in the referendum on this issue next month would be unwise to bank on it, for two reasons.

First, a Scottish parliament would be under strong pressure to spend more on services under its control, particularly health and education. Secondly, a decision to lower taxes in Scotland would cause English taxpayers to look critically at the £14bn block grant to Scotland. Even now, it can be argued that this sum is excessive in relation to population and income distribution. The argument could become raucous if the Scots were not seen to be paying their fair share.

Why then, should the Scots want to give themselves powers which could add the equivalent of 3p on income tax or, in theory, add 37 per cent to council tax bills? One answer is that if devolution is to be a serious transfer of power, the Scottish people must have the right, within limits, to determine for themselves the balance between public and private consumption. And giving the parliament power to tax could encourage a high turnout at elections – most important if it is not to fall in to the hands of the corrupt cliques which have so disfigured parts of the Scottish Labour party.

These are important considerations. Yet before voting Yes to the referendum's tax question, Scottish people need to think hard about the anxieties expressed by some businessmen. They argue that higher taxes would disadvantage Scottish businesses against competitors south of the border. This could come either from a direct impost through business rates or through the labour market. Higher personal taxes might cause a southwards drift of skilled people or an increase in Scottish pre-tax wages.

Although these effects might not be large, the stakes are high. Inward investment to Scotland reached £3.1bn last year. Against this benefit, the claim of some academics that increasing taxes and public spending could stimulate the economy are speculative, to say the least, and probably plain wrong. These difficulties are compounded by continued uncertainties about how a tartan tax would work in detail.

In the end, Scottish patriotism may well prevail, but representation without taxation could, in this case, be an entirely reasonable option.

The valley's magic formula

Silicon Valley's success depends on its risk-taking culture and not on its more recent flaunting of wealth, says **Louise Kehoe**

Silicon Valley is humming. After four consecutive years of strong economic growth, California's high technology heartland, is setting records for the creation of new businesses, jobs and wealth.

The success of Silicon Valley – a 50-mile stretch of land bounded by the Pacific Ocean and San Francisco Bay – prompts the question: how long can this go on?

Some industry leaders see no end to it. They claim the valley has entered a golden age in which the business cycle has been all but abolished.

Others are not so sure. Can such a torrid rate of growth be physically sustained? Could the valley's magic formula be undermined by social changes?

For now, optimism reigns. Silicon Valley is home to an estimated 7,000 high-tech companies, with a dozen or so new ventures being created each week. Venture capital funds are pouring in at an unprecedented rate. New companies in the valley attracted more than $1bn in venture capital investments in the second quarter of this year – an all-time record, up 34 per cent from the same period last year, according to Price Waterhouse, the consulting and accountancy group.

Start-ups and other fast-growing companies helped to create 125,000 new high-paying jobs over the past four years, including over 50,000 last year.

With unemployment at a mere 3.1 per cent and exports rising at about 30 per cent a year, the valley is being hailed as the zenith of US capitalism and the model of entrepreneurial industry. Wall Street is caught up in the euphoria. The market value of quoted Silicon Valley companies totals nearly $450bn.

Silicon Valley is emblazoned on the covers of US business magazines. BusinessWeek declares the valley to be an "economic miracle" and the "quintessence of the American dream". In a recent survey of residents, 76 per cent are convinced that the good times will continue. This is the highest "feelgood factor" since numbers were first collected in 1987.

The internet is driving this new wave of growth in Silicon Valley. Software, rather than the valley's traditional semiconductor and computer hardware businesses, is growing fastest. This has led some economists to declare that the region is no longer dependent upon capital spending cycles, and is thus impervious to general economic trends.

Yet among high-tech industry veterans, memories of the boom and bust cycles of the 1970s and 1980s linger.

Today, "there is a whole generation of people in the valley who have only ever seen the good times," notes Bob Wayman, chief financial officer of Hewlett-Packard, one of the valley's biggest employers.

Economists from the University of California, Los Angeles, issued a warning in June that Silicon Valley was bursting at the seams.

"The valley appears too crowded, too high-priced and too hemmed in by restrictions (on building development) for these growth rates to long endure," says Tom Lieser, author of a UCLA study of the California economy.

Residents of northern California do not need statistics to prove the point. House prices are skyrocketing. Average prices were up 18.5 per cent last year. In Atherton, a favourite location for high-tech executives, 80 per cent of homes sold last year went for over $1m. The city boasts an average household income of $288,000.

Other Bay Area cities that were once considered suburbs of San Francisco are now engulfed in the high-tech phenomenon. Traffic jams on highways to and in Silicon Valley speak volumes about the tens of thousands of new jobs created over the past few years.

Local politicians fear Silicon Valley will become a victim of its own success, as high prices and overcrowding force companies out. It would not be the first time. Waves of outward migration from the valley during previous "boom times" helped to create centres of high-tech industry in Austin, Texas; Pheonix, Arizona, and other parts of the US.

Another problem that threatens future growth is an acute shortage of engineers and software developers. Growing companies in the valley must now struggle to find qualified people.

Universities that serve Silicon Valley – including Berkeley and Stanford – produce more engineering graduates with more advanced degrees than in any other part of the US, but it is not enough.

Yet Silicon Valley has long been a magnet to "techies" from all over the world and the US shortage will surely be filled by immigrants, so long as the US government does not adopt the kind of restrictions debated by Congress last year. These could have cut immigration by 40 per cent. That debate served as a wake-up call to valley executives, some of whom have become active campaigners on the immigration issue.

"Immigrants helped to build Silicon Valley," says T.J. Rodgers, chief executive of Cypress Semiconductor, a valley chipmaker. Immigrants working in research and development at Cypress help to "create jobs for native-born Americans and make Silicon Valley, and the US economy, stronger," he says.

Silicon Valley may welcome immigrants and be largely free of ethnic or racial prejudice, but it is no social paradise. Intense competitiveness, especially among start-up companies, leads to a gruelling schedule. The 80-hour working week is not unusual and it takes its predictable toll on family life. Yet there are few complaints among those intent on building the next Yahoo! or Netscape.

What motivates this dedication? The answer is twofold: status and money. Status among high-tech peers is achieved by creating and marketing innovative technology, by "making a difference". This, in turn, is measured largely by wealth. "Money is the way we keep count," those from the valley will say.

The conspicuous wealth of a significant segment of the valley's population is one of the biggest changes to occur over the past few years.

Among the early generations of high-tech entrepreneurs, only a few made a lot of money and most were careful not to flaunt their wealth. Mr Jerry Sanders, founder of Advanced Micro Devices, used to cause a stir in the 1980s by driving a Rolls Royce. Now there are millionaires aplenty. More than 20,000 were created just last year, according to BusinessWeek. They are far more ostentatious than their predecessors. The measure of wealth has become "whether my kid's airplane is bigger than your kid's airplane", quips one industry analyst.

The danger is that the increasingly visible gap between those who have "made it" and those who labour for them will destroy the egalitarianism that has been a hallmark of the Silicon Valley business culture.

For most high-tech workers, stock options represent the fast track to financial security. Rapidly rising high-tech stock prices have made these options especially lucrative over the past few years and have done much to create the valley's optimism.

A reversal of Wall Street's bull market could, however, wipe out many of these paper gains. Top industry executives are concerned about the effect this might have on employee morale and productivity. Microsoft warned financial analysts last month that a prolonged slump in the stock market could force it to pay much higher salaries to compensate for the lack of stock option bonuses. California high-tech salaries are rising at five times the national average.

This could be the valley's Achilles heel. Without the promise of stock option pay-offs, there may be little incentive to give up a relatively secure job to join a start-up.

Small wonder the valley is becoming a media-sensitive society in which it sometimes seems getting the chief executive's face on the cover of a magazine is just as important as shipping new products. So long as the positive images prevail, there is hope that investors will not lose faith.

Steve Jobs, of Apple Computer, is the perfect example. While Apple is struggling to survive, Mr Jobs made it to the cover of Time magazine this month, spurring a rise in Apple's share price.

However, Apple's decline may also signal the biggest threat to Silicon Valley. Just as Apple was blind to the rise of competing technologies such as Microsoft Windows, the valley is now largely ignoring the potential of technology imports. The "smart card" – a credit-card sized data storage device – is already used in Europe with cellular telephones and could become an important link in the convergence of computers and communications, but it has only recently been noticed in Silicon Valley.

East-coast companies are often dismissed as bureaucratic and European competitors as entangled by social regulations. Japan, many in the valley say, is no longer a serious competitor because of its domestic economic problems, while the high-tech manufacturers of South Korea, Taiwan and other countries still have much to learn about marketing and distribution.

Such hubris may be a bad omen. But Silicon Valley has hidden strengths. One of its least recognised qualities is a high tolerance of failure. This encourages each new generation of entrepreneurs to risk everything for the chance to hit the jackpot. Perhaps only one in 10 will be successful, but the rest will be credited with having tried.

So long as this risk-taking culture survives, Silicon Valley will keep its edge. Noboby expects the economy of the region to fall off a cliff tomorrow, but the exuberance has an unhealthy taint of over-confidence. The valley should take to heart the mantra of one of its leading executives, Andy Grove of Intel, who warns: "Only the paranoid survive."

· OBSERVER ·

Gunter's goodbye

■ Timing is everything in politics: so was it such a good idea for German economics minister Günter Rexrodt to head off yesterday for a week-long tour of central Asian states?

Talk of a cabinet reshuffle is gathering pace in Bonn after finance minister Theo Waigel made clear last week he wanted a new role, though not necessarily immediately. Speculation was running hot in yesterday's press, ahead of Thursday's first cabinet meeting since the summer break. Chancellor Helmut Kohl will be keen to restore order when he returns from holiday today.

Rexrodt has been less effective in cutting subsidies than might be expected from a member of the Free Democrats, the economically liberal junior coalition partner, and his initiatives have a habit of coming to nought. As he leads a delegation of businessmen through Turkmenistan, Uzbekistan and Kazakhstan, let's hope the telephone connections are good.

Let's also hope he has better luck than he had on his trip to Africa last year: he ended up in intensive care with malaria. This worried ministerial colleagues, and defence minister Volker Rühe, on a visit to India soon after, assigned one of his aides to stay close by him to kill mosquitoes. His hosts were astonished to see a German official repeatedly clapping his hands in front of his boss's face.

Grief encounter

■ When Mahathir Mohamad, Malaysia's prime minister, starts something, he generally finishes it. So it appears strange that he has dithered publicly over the question of whether to meet George Soros, the US financier whom he has called a "moron" and accused of trying to impoverish poor countries through speculative attacks on their currencies. Soros has repeatedly denied the charges.

At first Mahathir said he would meet Soros if the opportunity arose. Now that both are scheduled to be in Hong Kong for the World Bank conference in September, such an opportunity has presented itself – and Soros has invited Mahathir to meet him. But the Malaysian premier appears to have changed his mind and said at the weekend he would go to Hong Kong but he would not meet Soros.

There was no indication as to what has prompted his change of heart, but some of his recent remarks on currency speculation suggest that the mechanisms of financial markets may not be his strongest subject. On one recent occasion, it was his own remarks on the subject which were blamed for the weakness of the ringgit, the beleaguered Malaysian currency which he accuses Soros of attacking.

Winged victory

■ Members of the US congressional transportation committee made a flying visit to the UK last week to investigate the proposed British Airways-American Airlines alliance. After a chat with intrepid aviator Richard Branson, who reckons the plan spells catastrophe for air travellers, the committee headed off to tour BA maintenance facilities.

The doors of a maintenance hangar were thrown open for the committee – to reveal a Virgin Atlantic 747 undergoing a routine overhaul under contract by the world's most psychedelic airline. Emblazoned across the side of the aircraft's fuselage was "No way BA-AA". Handsome, Branson.

Soft ball

■ Until now Japanese sports fans haven't taken to soccer in the hordes that officials at J-League, the country's national league, had hoped. But there are some signs that western-style football culture might finally be starting to take root; the Shimizu S-Pulse club has been fined Y5m for the rowdy behaviour of its fans.

Apparently, Shimizu fans were so upset at the referee's decisions in a recent game against Kashiwa Reysol that they held a sit-in. About 40 of them sat in front of the Kashiwa bus, stopping the away side from leaving, and some of the irate fans even demanded to speak to the referee. It might not add up to much – especially in a country where baseball teams and crowds can turn ugly – but it sounds like the thin end of the wedge.

Fit of peak

■ United Pictures International is unhappy with Japanese rice company Niigata Rocky: It has filed a complaint with Japan's patent agency claiming that the "Rocky Champion" brand is an attempt to profit from Sylvester Stallone's multiple "Rocky" boxing films.

The company says the name evokes the fresh air and mountain wilderness of its location in Niigata prefecture, north of Tokyo – like the North American Rocky Mountains. So, it says, there isn't a grain of truth in UPI's charges.

The Financial Times

100 years ago

Gold Fever In The North
Klondyke is rapidly assuming the intensity of a mania. Numbers of youths in Great Britain are saving up their odd shillings preparatory to making a start for the land of promise. Across the Atlantic the fever, if possible, is even more virulent. Upwards of forty Klondyke companies with a capital of over £20,000,000 have already been floated in America, and still they come. The spirit of gambling and the spirit of adventure are both appealed to by these far-off gold fields on the edge of the Arctic circle. Unfortunately a single favourable article in the Press on the chances of prospectors undoes the work of a dozen pieces of sound advice.

50 years ago

Lloyds Bank Progress
Advertisement: "Many musty old records remind us that our sign hung in Lombard Street [in the City of London] when Black Ivory and Guinea Gold were everyday topics of conversation between bankers and their customers. The efficiency of our modern accounting and calculating machines reminds us that we have moved with the times. The last Guinea [£1.05] was minted in 1813."

FINANCIAL TIMES
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IMF and Albania to discuss emergency aid

By Kevin Done, East Europe Correspondent

International Monetary Fund officials are to begin talks with the Albanian government today on the terms of an emergency economic support package, which is expected to include the dismissal of the central bank governor.

Agreement with the IMF on strict guidelines for future economic policy is a crucial first step if Albania is to secure the backing of aid donors – including the World Bank and the European Union – to begin reconstruction after months of civil conflict triggered by the collapse of fraudulent pyramid finance schemes.

In an effort to restore confidence in the financial authorities and expedite negotiations with the IMF, it is understood the government is planning to dismiss Qamil Tusha, the governor of the Bank of Albania, the country's central bank. Mr Tusha was appointed in April as part of the campaign by discredited former president Sali Berisha to impose his own influence on the bank. At the height of the crisis Mr Berisha forced out of office the then governor, the respected Kristaq Luniku, who had fought to maintain the independence of the central bank.

The Socialist-led, five-party coalition government elected last month following the collapse of the Berisha regime, is expected to put forward Mr Shkelqim Cani, a former communist deputy prime minister and socialist member of parliament as the new governor.

Mr Cani is close to Mr Fatos Nano, the Socialist prime minister, who won an overwhelming victory in last month's election.

He previously served as a director of the state bank and under the communist regime was deputy prime minister in one of the short-lived governments led by Mr Nano at the beginning of the 1990s. The adoption of tight monetary and fiscal policies will be key to reaching a successful outcome in the negotiations with the IMF.

But western officials accept that the scale of the damage suffered by Albanian institutions and the destruction of much of the economy's infrastructure during the recent anarchy rule out early agreement on a long-term IMF support package.

During the present two-week mission it is hoped to agree so-called "post-conflict emergency assistance" of a type previously provided only in Bosnia and Rwanda.

Initial IMF assistance is expected to amount to between $12m and $13m, but it would pave the way for leading multilateral and bilateral donors to Albania, including the World Bank, the EU and Italy, to resume aid programmes that totalled around $200m annually before the collapse into disorder.

Hoffa to run in new Teamsters election

By Leslie Crawford in Washington

James P. Hoffa, son of the legendary Teamsters boss Jimmy Hoffa, yesterday seized on a mounting financial scandal surrounding last year's leadership contest to challenge Ron Carey, president of the 1.4m-strong US labour union, to a new election.

A US court's decision on Friday to nullify the election results, following the discovery of illegal donations to Mr Carey's campaign, has rekindled rivalries within the International Brotherhood of Teamsters days after its successful two-week strike against United Parcel Service, the largest parcel carrier in the US.

Mr Hoffa, a labour lawyer from Detroit, yesterday played down Mr Carey's role in the dispute "It was the members who won this strike, not Ron Carey," he said in a television interview. "It will be a difficult race, as the incumbent has all the power on his side," he said, welcoming the decision to order a new election. "But after six years of Ron Carey, the Teamsters Union today is on the edge of bankruptcy and is hopelessly divided."

Speaking on the same programme, Mr Carey denied any knowledge of campaign funding improprieties as he struggled to defend his reputation as the movement's Mr Clean. "This was a scheme by outside consultants to rip off the union and line their own pockets."

The court ruled that $221,000 in illegal donations had been made to a Carey fundraising group called Teamsters for a Corruption Free Union (TCFU), which were then used for a last-minute direct mail campaign to tip the election in Mr Carey's favour. Although the monies were later returned, Barbara Zack Quindel, the court-appointed election overseer, said: "TCFU-funded mailings could have persuaded at least a small percentage of Carey-slate supporters to cast their ballots and therefore may have affected the outcome of the election."

In separate inquiries, the Justice Department and the US Senate are examining whether the Teamsters channelled contributions to the Democratic National Committee in exchange for donations to Mr Carey's campaign. Newt Gingrich, speaker of the Republican-led House of Representatives, yesterday called for an additional probe into links between the Democratic party and the Teamsters.

Although Ms Quindel exonerated Mr Carey from any wrong-doing, she has recommended further prohibitions from outside donations, limits on union member contributions and stronger disclosure requirements to make elections more transparent.

Great-West poised to win London Insurance

Deal would create largest insurance group in Canada

By Scott Morrison in Vancouver

Great-West Lifeco, the Canadian insurance holding company, is expected to succeed in its C$2.9bn (US$2.1bn) bid to acquire London Insurance Group, after the Royal Bank of Canada opted not to increase a C$2.4bn offer.

Great-West, with earnings of C$289m last year, surprised industry watchers last week with its competing bid for London Insurance, Canada's biggest underwriter of individual life policies.

Barring another bid, the acquisition will raise Great-West, controlled by financier Paul Desmarais' Power Financial, from third position to become the largest insurance group in Canada. If regulators approve the deal, the insurer will have on-balance sheet assets of C$52.8bn and total revenue of C$11.6bn.

Its group life and health assets would be complemented by London's individual life insurance and small company accounts. Great-West could share systems and procedures with London Life, creating efficiencies that would not be matched by the bank.

John Cleghorn, Royal Bank chief executive, said shareholders' interests would not be served by increasing the bank's offer, announced seven weeks ago. "Our plans for London Life were revenue driven and would not have produced the cost synergies necessary to make a higher bid economical," Mr Cleghorn said.

Under the terms of Royal Bank's offer, the bank will receive a C$70m termination fee from London Life, which has announced it is supporting Great-West's bid. The bank said it would continue to look for acquisitions in the industry.

A decade of deregulation has led to a shake-up in Canada's financial sector as banks have acquired investment banks and trust and loan companies.

Investors Group, Canada's leading personal financial services company and Great-West's sister company, has said it will participate in the transaction by acquiring up to 10 per cent, or C$600m, of Great-West's common equity.

The transactions are conditional on Great-West acquiring at least 90 per cent of all the outstanding London Insurance Group common shares. The acquisition, to be financed from Great-West's cash resources and the issue of shares, will be paid in cash, shares or a combination.

Exchange fees

Continued from Page 1

trading on its own merits, without any distortions due to price policy," the DTB said.

Liffe said it planned to offer guaranteed liquidity in its new Bobl contract through a "unique market maker scheme" when trading started. The exchange experimented with a Bobl contract several years ago, but had to delist it in 1993 due to lack of liquidity.

Sinn Féin meeting expected

Continued from Page 1

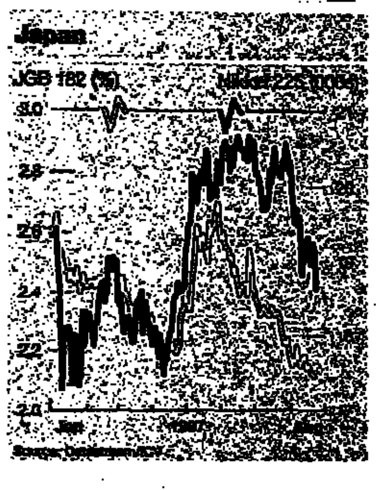
ceasefire on July 19. The government said it would review the position after the ceasefire had been in place for six weeks, taking into account the level of other activity such as punishment beatings.

Sinn Féin yesterday indicated that it was expecting an early meeting between Mr Adams and Mr Blair. But under the government's terms the meeting would not take place until Sinn Féin had joined the full talks, starting on September 15, and endorsed the "Mitchell principles" on decommissioning of terrorist weapons.

The composition of the committee that will oversee arms decommissioning is expected to be announced next week following a meeting between Ms Mowlam and Ray Burke, the Irish foreign minister.

THE LEX COLUMN

Joyless Japan



Japan is striking up the sorts of records it can do without. Renewed pessimism about the economy has driven yields on benchmark government bonds to record lows of around 2 per cent. Partly this reflects the damage inflicted on demand by the April rise in sales tax. But the recent Asian currency turmoil has been a further blow; exports were the one bright spot, but the tightening of monetary policy in the region as governments defend their currencies looks like curbing demand. More than 40 per cent of Japan's exports go to Asia.

The fall in bond yields has been accompanied by a big downward revision in interest rate expectations, but this has not helped equities. The Nikkei is languishing at a four month low as fears about higher rates have been replaced by concerns about shrinking profits. Clearly the measly yields on offer make bonds an unattractive investment. But nor is it easy to get enthusiastic about shares while growth remains so tepid.

There is no easy solution. The government's finances do not allow resort to fiscal stimulus, and monetary policy is hardly an option; short rates are already rock-bottom, while the US administration is hardly likely to tolerate a politically contentious yen devaluation. Until the banking crisis is clearly past, and deregulation starts to deliver fruits, it is difficult to see shares moving decisively higher.

Old Mutual

South Africa's business scene suffers from too few people wielding too much power. But the situation is changing fast. First the mining conglomerates started to unbundle. Now the demutualisation bandwagon is starting to roll. Sanlam was first off the blocks, but it has been upstaged by rival Old Mutual's decision to go for a listing. This may represent an enormous volte face, but it is no less welcome for that.

For Old Mutual the move is logical. It is so large in South Africa that its future must lie abroad. It has made some progress already, but without a listing, and an international one at that, its scope for expansion is inevitably constrained. Its management and investment record may be stodgy, but it is at least unlikely to rush abroad and spend foolishly.

The real importance of the move, however, lies at home. Popular capitalism will get a huge boost from 4m new shareholders, many of them black. No longer will it be so easy to brand the Johannesburg Stock Exchange as a white man's casino. Moreover, Old Mutual will find it easier to resist government pressures to act as a politically convenient venture capital fund.

Even more pertinently, the country's largest investor will emerge from the shadows into the realm of genuine accountability. At the moment, Old Mutual is notionally answerable to policy-holders. In practice it does pretty much as it likes. The salutary discipline of a share price and shareholders could work wonders both for Old Mutual and for the long list of companies in which it invests.

France

A new example of accounting legerdemain - this time involving Electricité de France's balance sheet - has provided a timely reminder of the French genius for tailoring financial statements to suit requirements. The state-owned electricity company is set to conjure a tripling of its capital and reserves simply by assuming unequivocal ownership of an electricity grid the government says it owns anyway.

With crunch time for Emu approaching, such manipulative panache raises a broader question: if these schemes are so effortless, can it really be so hard to find a way of shaving between 0.1 and 0.3 percentage points off France's 1997 public deficit to ensure it meets the strict Maastricht criterion for monetary union?

Of course it may be that ministers who recently unveiled measures to cut the expected deficit from a projected 3.5-3.7 per cent of GDP to more like 3.1-3.3 per cent really did not know how to narrow the gap further – at least, not without imposing further austerity. But is it not also possible that this modest overshoot actually suits them?

One rationale for this apparently heretical suggestion could lie in the position of Italy, which France - in sharp contrast to Germany - wants to join Emu from the start. If Paris can judge its deficit performance so that it does as well as (but no better than) Italy in the forthcoming Maastricht beauty contest, it will be difficult for Bonn to exclude Italy without likewise excluding France – which of course is unthinkable. Exclusion would be all the more unlikely if Germany lost its own battle to hit the magical 3 per cent.

GMG/LVMH

The generals in the battle between merger partners Guinness and Grand Metropolitan (GMG) and oppponent LVMH have retired to the beaches/moors for a summer break. But Bernard Arnault, LVMH's canny chairman, will not be resting. With over £5bn at stake – his investments in Guinness and GrandMet and his two thirds of Moët Hennessy – he needs to cut a deal. And the closer Guinness and GrandMet get to forming GMG, the weaker his negotiating position.

Thus far, his attempts to add MH to the merger pot while demerging GMG's brewing, food and Burger King interests, have met with limited interest. An obvious option would be for LVMH to secure buyers for the proposed demergers to provide more concrete valuations – say Kraft Foods putting a provisional price on Pillsbury. However, without access to GrandMet's books, it will be a struggle. There is a potential £1.5bn tax bill from sales, so it needs to be a good price. Besides, Mr Arnault cannot bid for either Guinness or GrandMet – he has made binding commitments not to. So he can provide no assurances to potential buyers that there will be a deal.

The next move will probably be for the parties to try for a truce. Mr Arnault will produce numbers to demonstrate the benefits of bringing MH to the deal and at the right price GMG shareholders would agree. With his shareholdings and legal threats to the merger, he could even expect a sweet deal just to keep quiet. But unless Mr Arnault is prepared to give up on his demands for quick demergers, any talks are liable to be unfruitful.

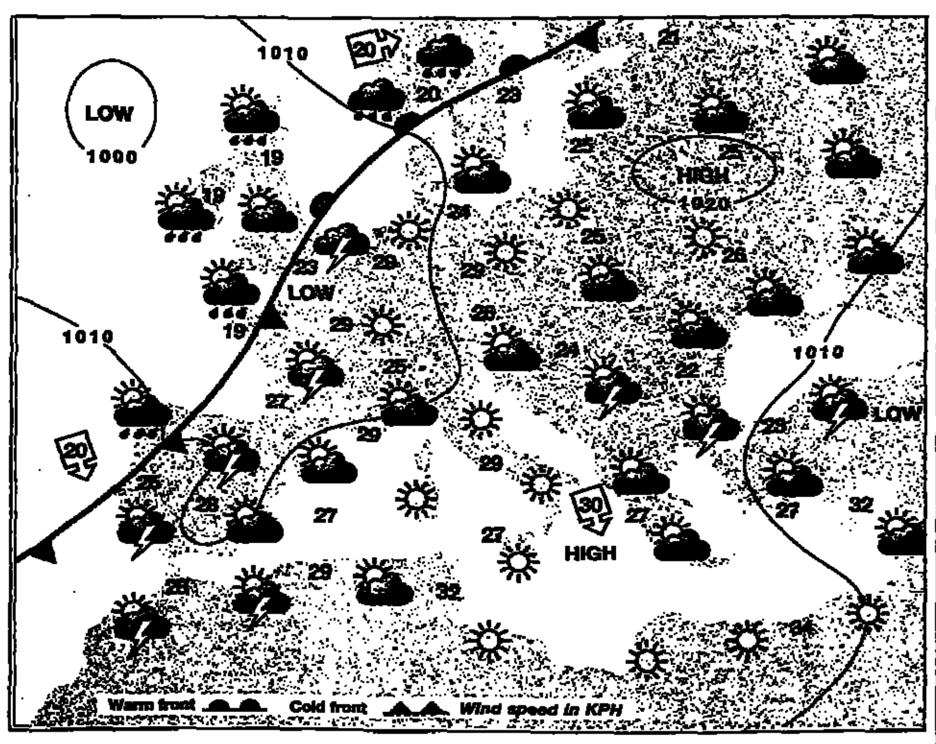
FT WEATHER GUIDE

Europe today

The central and eastern Mediterranean will be fine and hot with strong sunshine. Spain and Portugal will be more unsettled with scattered thundery downpours but southern areas should have more sun. North-west Europe will be humid and thundery with some downpours developing. Central and eastern Europe will have hot sun but isolated thunderstorms are likely over the Alps and the Balkans. Scandinavia will have heavy showers although Denmark may stay mostly fine and very warm.

Five-day forecast

The humid, thundery weather over much of western Europe will edge east to affect Germany, the Alps and northern Italy, allowing fresher weather to spread across Iberia, France and the Low Countries. Eastern Europe should stay hot with sunny spells, but thunderstorms are likely over the eastern Balkans.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius
Abu Dhabi	Sun 40
Accra	Cloudy 29
Algiers	Thunder 27
Amsterdam	Fair 31
Athens	Fair 27
Atlanta	Sun 31
B. Aires	Sun 22
B.Ham	Thunder 22
Bangkok	Shower 36
Barcelona	Cloudy 27
Beijing	Fair 33
Belfast	Shower 20
Belgrade	Cloudy 28
Berlin	Sun 31
Bermuda	Fair 31
Bogota	Thunder 19
Bombay	Rain 30
Brussels	Sun 31
Budapest	Fair 27
C.Hagen	Fair 25
Cairo	Sun 34
Cape Town	Shower 18
Caracas	Thunder 32
Cardiff	Shower 20
Casablanca	Shower 26
Chicago	Fair 26
Cologne	Thunder 31
Dakar	Fair 31
Dallas	Sun 35
Delhi	Rain 35
Dubai	Sun 41
Dublin	Fair 21
Dubrovnik	Fair 27
Edinburgh	Shower 19
Faro	Fair 31
Frankfurt	Sun 31
Geneva	Fair 29
Gibraltar	Fair 28
Glasgow	Shower 19
Hamburg	Sun 31
Helsinki	Shower 23
Hong Kong	Shower 30
Honolulu	Fair 32
Istanbul	Thunder 23
Jakarta	Cloudy 32
Jersey	Thunder 19
Karachi	Fair 35
Kuwait	Sun 45
L. Angeles	Sun 28
Las Palmas	Sun 28
Lima	Cloudy 23
Lisbon	Sun 26
London	Thunder 24
Lux.Bourg	Sun 30
Lyon	Sun 32
Madeira	Fair 27
Madrid	Thunder 29
Majorca	Thunder 28
Malta	Sun 29
Manchester	Shower 20
Manila	Shower 34
Melbourne	Drzzl 13
Mexico City	Shower 27
Miami	Sun 33
Milan	Thunder 29
Montreal	Fair 24
Moscow	Fair 25
Munich	Sun 29
Nairobi	Cloudy 27
Naples	Sun 28
Nassau	Shower 32
New York	Fair 25
Nice	Sun 28
Nicosia	Sun 32
Oslo	Fair 23
Paris	Thunder 29
Perth	Sun 21
Prague	Sun 29
Rangoon	Shower 28
Reykjavik	Cloudy 13
Rio	Fair 24
Rome	Sun 29
S. Frsco	Fair 23
Seoul	Fair 30
Singapore	Thunder 30
Stockholm	Fair 26
Strasbourg	Fair 32
Sydney	Fair 18
Tangier	Shower 26
Tel Aviv	Fair 31
Tokyo	Shower 28
Toronto	Shower 22
Vancouver	Rain 21
Venice	Sun 27
Vienna	Fair 28
Warsaw	Cloudy 29
Washington	Fair 28
Wellington	Shower 12
Winnipeg	Rain 26
Zurich	Fair 28

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FINANCIAL TIMES
COMPANIES & MARKETS

 Monday August 25 1997 Week 35

INSIDE

SKF chief eyes up south-east Asia

SKF, the Swedish company that is the world's biggest maker of industrial rolling bearings, will be 100 years old in 2007, and Peter Augustsson (left), chief executive, intends to be in place to lead the celebrations. His plans for SKF include stepping up investments in growth markets outside Europe, particularly in south-east Asia. SKF shares have underperformed by about 20 per cent in the past two years. Page 17

GLOBAL INVESTOR
Bond ratings tested
A study suggests junk bonds display a far higher default rate after 15 years than issues originally rated CAA or above, raising the question of whether the higher yields of low-rated paper compensate for the higher risks. Page 20

INTERNATIONAL EQUITIES
Brazil keeps investors waiting
International offers are rare in Brazil, so investors are looking with interest at government plans to sell large minority stakes in two recent stars of its privatisation programme: Companhia Vale do Rio Doce (CVRD), the mining group, and Light, the Rio de Janeiro electricity company privatised a year earlier. Page 18

INTERNATIONAL BONDS
No summer respite for Treasuries
Analysts say there has been a sharp increase in the summer Treasury volume, and this rise in activity is one of the key factors separating this Treasury market from previous years. Page 20

MARKETS THIS WEEK
New York
Sharp swings recently reflect market nervousness about how much longer the bull run can continue. Investors feel it is only a matter of time before things deteriorate.

London
The main worry for gilts and equities might come from bond markets, which showed signs of cracking last week.

Frankfurt
Expectations of an early rise in a key Bundesbank interest rate have risen with news of higher import prices as a result of the strong dollar.

Tokyo
Bonds and equities are expected to stay on contrasting paths with government bonds continuing their record-breaking run while the equity market languishes.

Paris
French shares will track the currency markets and the Bundesbank for clues to the next move in German interest rates. Page 19

CURRENCIES
Bundesbank keeps up guessing game
Since July, the Bundesbank's council has threatened to switch from a fixed to a variable-rate repo, under which, traders believe, rates would creep up from their current 3.0 per cent, enough to buoy up the D-Mark. It renewed its threat on Thursday. Page 19

EMERGING MARKETS
A breather for Indian bulls
After a summer bull run, the Bombay stock exchange seems to be heading for a period of volatility, as uncertainty over a rupee depreciation and a rise in the price of petroleum products dampen investors' enthusiasm. Page 20

FT GUIDE TO THE WEEK – full listings Page 30

CHINA CONVENTION
More than 1,200 delegates are in Vancouver for the fourth World Chinese Entrepreneurs Convention, which will be taking place from Monday to Thursday. This is the first time the event has been held outside Asia.

BONN-PARIS MEETING
European monetary union will be the focus of a meeting on Thursday in Bonn between Helmut Kohl, German chancellor, and Lionel Jospin, the French prime minister.

SHOW JUMPING
The European show jumping championships are in Mannheim, Germany, from Wednesday.

Companies in this issue

Market Statistics http://www.FT.com

Fierce competition cuts value of insurance investment trusts

Lloyd's spread funds hit by fear of falling profits

By Christopher Adams, Insurance Correspondent

Specialist funds which back insurance syndicates at Lloyd's of London, the specialist international insurance market, have fallen out of favour with stock market investors despite bumper profits this year. Analysts fear returns will diminish rapidly amid fierce competition in global insurance.

Recent weeks have witnessed a sudden decline in the value of shares in Lloyd's spread funds relative to the stock market. Some investment trusts have fallen by as much 18 per cent since the beginning of August.

Analysts said that disillusion with the prospects for Lloyd's is weighing on share prices. "All the bad habits in the insurance industry are back: rate cutting, excess capital, people trying to write business cheaply and laying it off even more cheaply to others," said Chris Hitchings of UBS.

Many of the trusts investing in Lloyd's syndicates, the small businesses run by underwriters which make up the centuries-old insurance market, were set up soon after Lloyd's opened its doors to corporate capital in 1993.

Insurance markets were booming and the investment trusts' shares rose with expectations of large dividends from underwriting activities. When it became clear last year that Lloyd's would succeed with a recovery plan to reinsure crippling liabilities from earlier years, the spread funds climbed further.

Lloyd's, which reports three years in arrears, announced profits of £1.1bn ($1.79bn) in June, its second most profitable year ever. But its results were accompanied by a warning that profits were expected to fall to £600m in 1996 and even further this year.

It is not only the poor outlook that has depressed share prices. The spread funds are fighting a battle for "capacity" – the right to support business on Lloyd's syndicates – which analysts say they could lose.

The struggle centres on efforts by the underwriting agents who control syndicates to buy capacity from Names. Some have linked with dedicated corporate investors, giving them more financial clout.

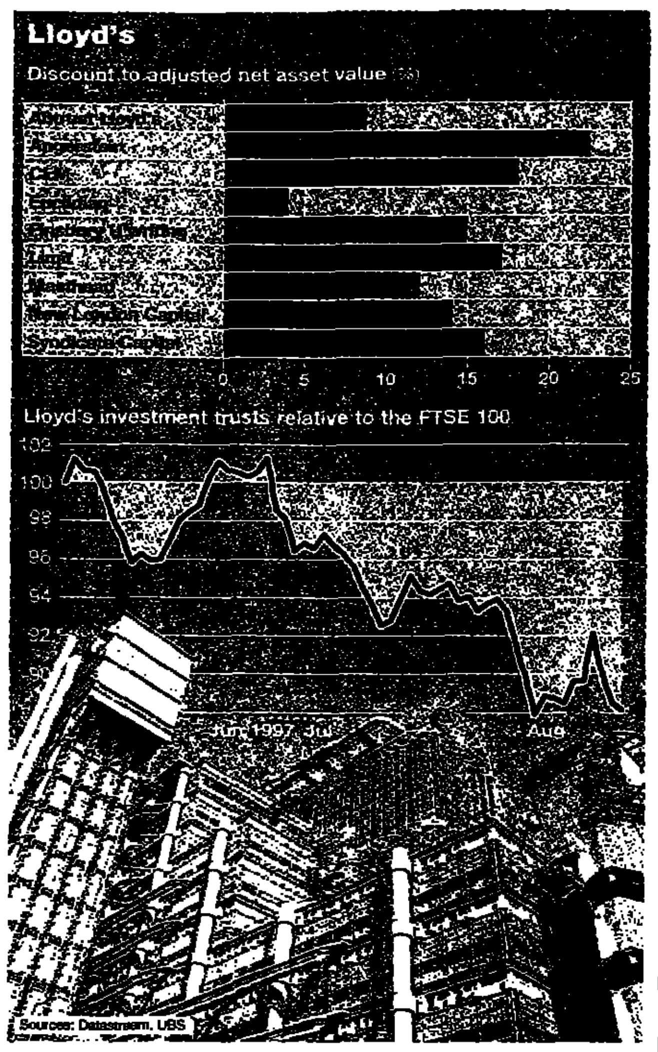
"The spread funds are being edged out," said Mr Hitchings.

Also, many managing agents are trying to raise profit, commissions and fees sharply this year, some say in a bid to make Names accept their offers to buy capacity. This threatens to erode the returns for spread funds and Names from underwriting at Lloyd's.

The underperformance of the investment trusts may be exaggerated by several going ex-dividend. Many investors considering selling shares wait to receive the annual payout before disposing of stock.

Looking at the share price alone can also be misleading since most spread funds have significant holdings in bond markets rather than equities and the recent bull run in shares has outpaced returns from other investments.

But the difference between share prices and net asset value, which analysts argue is a more representative measure of performance, also shows how institutional interest in the Lloyd's funds has diminished. While most were trading at a premium to net assets a few months ago, they have slipped to discounts.



For Lloyd's Names, individuals whose personal assets have traditionally supported the insurance market, this raises additional concerns.

Existing investment trusts are the only benchmarks they can use for deciding whether to switch from being sole traders with unlimited liability to investors in new conversion schemes offering limited liability and a listing on the stock market.

Ex-Burton chief in running for WH Smith

By Jane Martinson in London

Stuart Rose, the former Burton Group director, has emerged as the leading outside candidate to head W H Smith, the retailer which suffered the surprise resignation of its chief executive in June.

Mr Rose resigned as chief executive of Burton subsidiaries Burtons, Dorothy Perkins, Evans and IS last month after three years in the job.

The news comes as the company confirmed that Keith Hamill, the finance director, who many considered to be the leading internal candidate, had pulled out of the contest.

W H Smith said yesterday that Mr Hamill, who has been associated with potential break-up plans for the company in recent weeks, told Jeremy Hardie, the chairman, that he did not want to be considered for the job as long ago as last month.

The group denied that Mr Hamill intended to leave the company when a replacement for Bill Cockburn, the former chief executive, is found.

A nominations committee is expected to meet shortly, possibly this week. The committee – which includes Martin Taylor, chief executive of Barclays, and Marjorie Scardino, head of Pearson, which owns the Financial Times – is to agree a preferred candidate before making a recommendation to the board.

Three existing directors have also been considered: Richard Handover, managing director of news distribution and a company veteran of 27 years; John Hancock, chief executive of the US division; and Alan Giles, managing director of Waterstone's, the book retailer.

The new chief executive will take office amid mounting investor concern about the group's performance, and suggestions that it could be broken up.

This year, Mr Cockburn declined an offer by Virgin, which owns 25 per cent of W H Smith's Virgin and Our Price record stores, to buy the remaining 75 per cent.

On Wednesday, W H Smith is expected to report pre-tax profits of about £125m ($203.75m) on sales of £2.75bn for the year to May 31. This compares with losses of £194.7m in 1996 on turnover of £2.168bn.

More questions, Page 16

Revolution spreads to British fish paste

By Jane Martinson in London

A new management team has taken charge of Shippam, a 247-year-old UK manufacturer of fish paste for flavouring sandwiches which has been regarded as a cultural icon by generations of Britons.

In a drive to revitalise the company, founded in the south-coast town of Chichester in 1750 by a Mrs Shippam, the new bosses are launching a range of products targeting a new generation of youngsters.

These include Sassy Salmon spread and foodstuffs based upon baked-beans and other contemporary favourites.

For a company that has survived since the days when the US was a British colony, the new strategy amounts to a revolution.

Details of the plans emerged yesterday after the takeover of the Chichester-based company for a reported £15m. It is being sold by Grand Metropolitan, the UK-based food and drink group that is merging with Guinness. Within GrandMet, Shippam has been overshadowed by brands such as Burger King, Haagen-Dazs and Pillsbury.

Between 70 and 80 jobs are set to be lost from the 450-strong workforce following the deal, which was backed by NatWest Ventures.

Mr Steven Joseph, the new executive chairman, thinks the company will provide a suitable base for expansion. The new range of spreads will provide organic growth, he believes. Mr Joseph aims to use the group's brand name to market a range of new fillings and to expand the company's canned-chicken and ready-meal operations.

He intends to increase sales from less than £30m in the year to September to between £100m and £200m a year in the next two or three years. Most of this growth will come from acquisitions in related food sectors.

His plans recognise the need not to alienate the older people who remember the "old-fashioned" fish paste with fondness. "Everybody remembers it," he says. "It's got the most wonderful brand name, but people think it's four or five times bigger."

In the year to September Shippam made operating profits of less than £3m on sales of just under £30m, he said. At its peak about three years ago the company was making a £6m profit on sales of £40m-£45m. These figures included parts of the business which are now separate.

CCT Telecom targets China

HK$2bn rights issue to fund expansion on the mainland

By John Ridding in Hong Kong

CCT Telecom, the fast-growing Hong Kong-based telecommunications equipment manufacturer, is to raise HK$2.01bn (US$258m) through a rights issue to fund expansion in mainland China.

The move follows last month's strategic alliance with Xinhua, China's state news agency. The alliance, in which a Xinhua subsidiary bought a 12.5 per cent stake in CCT Telecom, signalled influential mainland backing for the Hong Kong company and marked a further step in the increased business activities of mainland political institutions.

Kwan Bankee, managing director of CCT Telecom, said the rights issue reflected the company's intention to capitalise on rapid telecommunications growth in China. "We are already in preliminary negotiations for several potential projects and are confident that these projects will be crystallised in the near future," he said.

According to CCT Telecom, about HK$900m of the proceeds will be used to set up joint venture companies in mainland China to manufacture telecoms products and develop GSM mobile telephone networks. A further HK$250m is earmarked for buying stakes in Asian companies which manufacture components used by CCT Telecom.

Of the balance, HK$200m will be invested in research and development of mobile telephone operations, while HK$100m will go to setting up marketing and distribution networks in China.

At present, CCT Telecom has a large manufacturing plant in Guangdong province, southern China, and exports most of its products to Europe and the US. However, company officials cite the rapid expansion of the Chinese telecommunications sector, one of the priorities of the present five-year plan, as its most important source of future growth. Under the five-year plan to 2000, China aims to add about 64m new subscribers to the 41m as of mid-1996, excluding mobile customers. The plan also aims to double exchange capacity to 170m lines.

The one-for-one rights issue is priced at HK$1.00 per share, compared with HK$2.85 at which shares in CCT Telecom were suspended last week. The issue is managed by Citicorp International and co-managed by Kingsway SW Securities. They are joined as underwriters by Yamaichi International, J&A Securities, and Peregrine Capital.

Securities deal raises $250m for Pakistani group

By Vincent Boland in London

Pakistan Telecommunication Co (PTCL) has raised $250m by selling the rights to existing and future revenues from six international carriers for the use of its lines on long-distance calls into the country.

The novel transaction is Pakistan's first securitisation and the first such deal to involve multiple carriers from different countries, according to the arranging banks. The securities have been given an investment grade rating of BBB- from Standard & Poor's and Duff & Phelps Credit Rating.

The structure of the transaction means that the revenues PTCL would have received for the next seven years will be paid into a US trust. This trust will make quarterly payments to the investors that underwrote the securitisation, mainly US and Asian institutions.

The six international carriers participating are AT&T, Sprint, MCI, British Telecommunications, Mercury Communications and Deutsche Telekom. There are an estimated six times as many incoming calls to Pakistan as there are outgoing calls.

The securities, which have an expected maturity of six years and an average life of 3.8 years, were priced at 225 basis points over the relevant US Treasury rate. They were placed by ABN Amro and Citicorp Securities, and demand raised the transaction from an initial $175m.

Chris Busbee, vice president at Citicorp Securities, said the fact that the securities had been given an investment grade rating meant PTCL was given access to money much more cheaply. "PTCL could come nowhere close to getting that kind of spread otherwise. It is debatable it could raise that amount of money beyond two years," he said.

It also gave the company access to "a new and very powerful investor base" that included US insurance companies and Japanese institutions.

For the investors, the structure of the transaction avoided currency risk, since payments will be in US dollars, and provided "very good solid payments coming in from highly rated companies". That factor eliminated sovereign risk from the transaction, he said.

Securitisation deals are rare in Asia. However, the fact that the PTCL deal is the first "future flow" securitisation to be rated investment grade should spark more interest in the region.

Some recent transactions involving Japanese banks, which have seen non-performing loans turned into asset-backed securities and sold in London, suggest it is gaining currency in some quarters.

Yokohama Bank, Bank of Tokyo-Mitsubishi and Sumitomo Bank have launched asset-backed securitisation deals in the past two months to reduce their risk-weighted assets.

Mr Busbee said there was "a tremendous opportunity" in emerging markets in Asia and eastern Europe for this type of transaction.

Minerva sells prime site for £33m cash and three central London properties

Pru pays £105m for showcase office

By Gary Mead

Prudential Corporation, the pensions and life assurance group, is escaping from its high-rent contract with property group Minerva for its showcase office on Euston Road in London by buying the building for £105m ($171m).

The consideration comprises £33.3m cash and the transfer to Minerva of three central London office properties – independently valued at £71.7m – from Prudential's property portfolio.

Minerva, which paid £68m in 1989 for the 160,000 sq ft site, receives annual rent of £6.48m from Prudential under a 107-year lease. That equals £40.66 a sq ft, matching rentals often paid in the City of London.

Two of the properties Minerva is acquiring – Sampson House, at 64 Hopton Street, SE1, and Chatham Place, on East Harding Street, EC4 – are fully let. Their annual rental income is £4.8m, of which £4.1m is payable by Lloyds Bank on a lease with 106 years to run. The lease is next subject to review in December 1999.

The third site – at Wigmore Street and Welbeck Way in the West End – has planning permission for offices, with a floor area of about 43,000 sq ft. Of the three, Sampson House, with 2.5 acres of adjacent freehold land and 590 ft of river frontage, is by far the most valuable, at more than £56m.

Mr Andrew Rosenfeld, Minerva's chief executive, said yesterday he was confident of achieving rent for the West End site of at least £35 a sq ft. This would yield in excess of £1.5m annually, so Minerva could end up with total rents only fractionally less than it was receiving from the Euston Road site.

Mr Rosenfeld, although "exhausted" by the deal, which was negotiated over nine months, was ebullient. "When we floated there was some scepticism as to possible future growth, but by doing this we have radically changed the profile of the company, by exchanging a building that represented a quarter of our assets for a combination of cash and other property, thus broadening the basis for Minerva's development."

More questions than answers at WH Smith

Christopher Price looks at the uncertainty surrounding the UK retailer's future

WH Smith may be famous for delivering the news, but shareholders are unlikely to receive answers to the most pressing questions when the retailer reports annual results on Wednesday.

Who is going to be the new chief executive? Is the company about to be broken up? Is the Virgin/Our Price record chain going to be sold? Will finance director Keith Hamill stay on even though the company says he has pulled out of the running for the top job?

Mr Hamill and Jeremy Hardie, chairman, who will present the results, are unlikely to provide ready answers.

The search for a new chief executive, after the surprise resignation of Bill Cockburn in June, looks set to rumble on for weeks. All the candidates – three internal and five external – have been interviewed and a short list drawn up.

Meanwhile, analysts have been working overtime with their calculators amid reports last week that investors – restless over the poor performance of its shares – had asked Mr Hamill to consider breaking the group up. This was followed by news that Smith had been in talks to sell its 75 per cent stake in Virgin/Our Price to Virgin, but could not agree a price. Smith's US record chain, The Wall, is also up for sale.

Break-up valuations ranging from £1.26bn to £1.47bn have been produced, compared with a Smith market capitalisation stuck at little more than £1bn.

The backdrop to the break-up talk is the struggle between rival camps supporting different directors for the chief executive's post. The plan to put parts of the group up for sale is said to have been canvassed by a senior director as part of his leadership campaign.

Such internal wranglings and debates about group strategy raise crucial questions over the management of one of the UK's most famous retailers. In particular, analysts have begun to query Mr Hardie's handling of affairs.

It also begs the question as to whether the new chief executive can restore good relations between the rival factions and morale to the rest of the group.

Certainly, the winning candidate's job has not been made easy by the legacy of Mr Cockburn's brief but tumultuous tenure. Brought in from the Post Office with no experience of running a retailer or public company, Mr Cockburn cut a swathe through Smith's hierarchy.

During his 18 months in the post, three executive directors left amid a raft of senior management changes.

Noses were put further out of joint by Mr Cockburn's strategic review, which led to the sale of the office stationery business, the group's exit from DIY and a restructuring of the company. Smith subsequently reported its first annual losses in 204 years of trading.

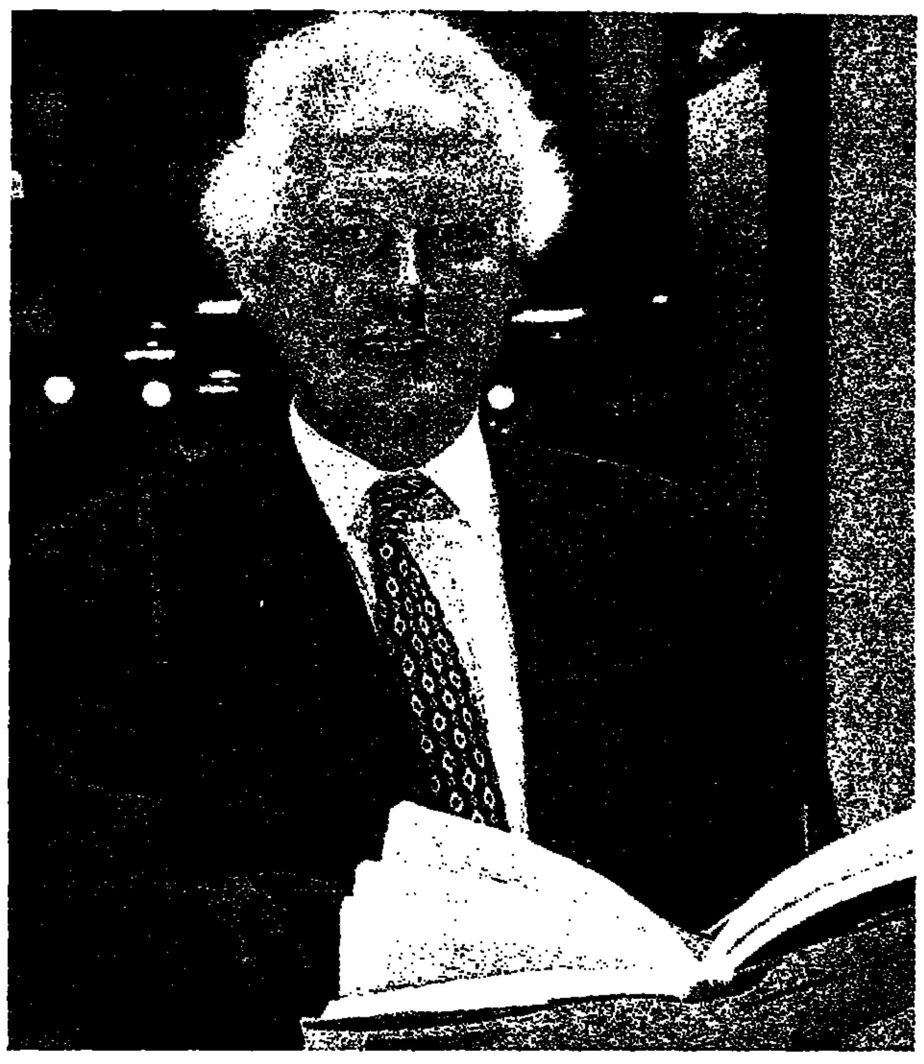
However, the changes wrought by Mr Cockburn have done little to alter perceptions of the group's businesses, with Waterstone's and the wholesale division seen as the stars, and the high street business and Virgin/Our Price as duller performers.

Mr Cockburn's brusque management style was also not always popular. This was exacerbated by him being based at Smith's London headquarters with Mr Hamill, while the rest of the group's management were located elsewhere.

Given this background, it is perhaps not surprising that Richard Handover, head of the wholesale operation, and a Smith veteran of 27 years, has emerged as a strong internal candidate. Mr Hamill, Alan Giles, managing director of Waterstone's, and John Hancock, head of Smith's US business, are the others.

Meanwhile, Smith is expected to report pre-tax profits of about £125m on sales of £2.75bn for the year to May 31. This compares with losses of £194.7m on turnover of £2.68bn. Waterstone's is predicted to increase profits by 24 per cent to £18m. The retail business is expected to be up 22 per cent to £56m. Forecasts for Our Price, however, are £12m compared with £16m. The wholesale business is forecast to report £42m (£31m), and the US could fall to £10.5m (£11.3m).

While analysts and investors will digest the results details with interest, they will have to wait for the delivery of the most eagerly sought news.



Trevor Humphries

Opening a book: Jeremy Hardie is still looking for a new chief executive

Supermarkets supported on brand-name pricing

By Christopher Brown-Humes

The UK government yesterday promised "a sympathetic hearing" for supermarkets battling to end price-fixing on brand-name products.

It is further evidence of Labour's pro-consumer stance and follows Tesco's decision last week to sell a range of Adidas sportswear at discounted prices, against the German company's wishes.

Nigel Griffiths, consumer affairs minister, welcomed the Tesco move and told supermarkets he is prepared to take further action. "If companies want to ask the government for assistance they will certainly get a sympathetic hearing," the Department of Trade and Industry said.

Price-fixing has been discussed in meetings between Mr Griffiths and senior executives from Tesco, J Sainsbury, Asda, Safeway and the British Retail Consortium.

The retailers have welcomed his "positive tone".

Asda said yesterday it would like "an overall investigation by the Office of Fair Trading into areas of price fixing and restricted distribution by major brands."

It wants to sell top brand perfumes and skincare brands such as Chanel, Clarins, Christian Dior and Clinique, but has been thwarted by the manufacturers who say supermarkets are not the right environment and lack the expertise to sell them.

Move to debt finance could spark £100bn of buy-backs

By Philip Coggan, Markets Editor

British companies could buy back £100bn of their own shares over the next few years as they switch from equity to debt finance, according to research released today. Such a change would seriously dent government revenues.

Union Bank of Switzerland argues in a report that the recent abolition of the dividend tax credit will encourage UK companies, like their US and continental European counterparts, to use more debt finance.

UK companies have gearing – net debt as a proportion of equity – of just 30 per cent, compared with more than 60 per cent in the US and continental Europe.

Mark Tinker, the report's author, argues: "The main reason for the bias in favour of equity over debt has been the tax system, which has given a subsidy to providers of equity capital via the advance corporation tax system."

Until the Budget, tax-exempt investors such as pension funds could reclaim part of the corporation tax paid by companies.

The effect was to turn a net 8p dividend into a gross distribution amounting to 10p.

Now that this system has been abolished, UBS believes companies will focus on the effect of tax on their finances. UK tax rules allow interest payments, but not dividends, to be offset against corporation tax.

NEWS DIGEST

Xaar plans up to £12m flotation

Xaar, a UK company which specialises in developing and licencing new technology for ink jet printing, plans to raise between £10m and £12m ($19.6m) of new finance in a flotation this autumn.

Graham Wylie, chief executive since 1993, said yesterday that final details of the flotation had yet to be confirmed.

However, Nomura International will be sponsor and lead manager for the placing, and Grieg Middleton has been appointed placing agent. Market capitalisation at the issue price is expected to be more than £60m.

Xaar, based in the Cambridge Science Park, was formed in 1990. Two directors, Steve Temple and Mark Shepherd, have had a leading role in the development of ink jet printing technology.

The company's business has primarily been obtaining licence and royalty fees from the sale of its technology, and the manufacture of print heads for specialised commercial applications.

The venture capital companies Prelude Technology and 3i currently hold 50 per cent of the equity, the management 2.5 per cent, and the rest is divided between other venture capital companies and institutions.

Mr Wylie, who was originally finance director, said that Xaar's customers included "several household Japanese brand names, as well as Nu-Kote, a Nasdaq-listed Dallas-based company, and Zeneca." *Gary Mead*

Dean aims for main market

Dean Corporation, the property services group traded on Aim, is preparing to list on the main market next month.

The company, which will file its application for a listing in the next few weeks, hopes to raise about £3m. A third of this will be used to pay the deferred consideration for last year's acquisition of H Page Engineering Services, the environmental and building services supplier, while another £1m will be used to buy residential land for its home-building business.

Stephen Dean, chairman, believes the move to the main market will help the company's fund-raising ambitions - something its Aim listing in 1995 has failed to achieve. "Aim has been a disappointment to us. We haven't raised a penny since we listed," he said.

Mr Dean said part of the funds raised next month would be placed in a "war chest" to fund future acquisitions. The company was looking to buy a company in the property services sector, he said.

The company's pubs and restaurant division is benefiting from the recent rush of pub refurbishments by breweries, while its maintenance division is enjoying orders from local authorities. Fiske, the house broker, forecasts pre-tax profits will rise more than 50 per cent this year to £1.4m-£1.5m and earnings per share will increase 20 per cent to 2p. *Emiko Terazono*

Calidore shares suspended

Shares in Calidore, the UK equity capital provider which floated on Aim in February, were suspended last Friday at 3¼p pending approval of the reverse takeover of Keystone Solutions, a computer software company which operates in the UK and New Zealand.

The initial consideration is £3.58m, comprising £580,000 cash and £3m in shares, with further profit-related payments over the next three years.

Calidore – which will change its name to Keystone Software – is proposing to consolidate its ordinary shares on a 1-for-20 basis; shares to be issued as part of the consideration have been credited at 70p, equivalent to a pre-consolidation price of 3½p.

Calidore has also placed new shares at 90p – equivalent to a pre-consolidation price of 4½p – to raise £1.5m to fund development.

■ **GRAYSTONE** has appointed Bob Wickham, currently a non-executive director, to succeed Dick Richardson, who has resigned as non-executive chairman.

■ **JONES & SHIPMAN** has bought an 80 per cent stake in Edgetek, a super-abrasive machine maker based in Connecticut, for $3.3m (£1.41m), $2m in cash and the balance as loan notes. The company has an option to acquire the remaining 20 per cent on or after August 21 2000.

■ **SARACEN VALUE** Trust is considering a number of approaches which may lead to an offer being made for it. HSBC has not submitted improved proposals as requested by the Saracen board.

■ **TINSLEY ROBOR** is acquiring Pinepoint, a pre-press company, for a maximum £2.7m cash, with £1.7m payable on completion and the balance profit-related.

■ **TOY OPTIONS** is to change its name to The Character Group as part of its strategy of diversifying into non-toy products.

■ **ZENECA AGROCHEMICALS** has sold its Devrinol herbicide business outside North America and Japan to United Phosphorus.

COMPANIES AND FINANCE

Israel Chemicals ahead at half-year

By Avi Machlis in Jerusalem

Israel Chemicals, the export-driven chemicals group, yesterday said rapidly growing sales of more profitable products helped boost net profits by 32 per cent in the first half of 1997, in spite of flat revenues.

Net profits rose from $39.2m in the first six months of 1996 to $51.9m in the first half of this year. Revenues were unchanged at $826m over the same period. The company said it would pay a total interim dividend of $31.1m.

Revenues were flat, said Israel Chemicals, because the strong US dollar eroded the dollar value of sales in Europe and the Far East. About 90 per cent of the group's products are exported.

But Yigal Dimant, chief executive, said profits rose because of growing sales from higher-margin products, such as bromide compounds and phosphate fertilisers, which made up a larger portion of total sales.

Mr Dimant said the results reflected the successful restructuring programme, which included a merger of two German subsidiaries.

In the second quarter, net profits climbed 23 per cent from $24.8m last year to $30.6m this year. Revenues increased 4 per cent from $413m to $428m over the same period.

Analysts said the results were in line with expectations. "These are good results," said Nir Elperin, chemicals analyst at Ilanot-Batucha Securities in Tel Aviv.

"Gross and operating margins are above expectations, due to good results from subsidiaries Dead Sea Works and Dead Sea Bromide," he said.

Operating profits rose 35 per cent from $80.8m in the first half of last year to $109.1m.

Earlier this month, Dead Sea Works reported a 30 per cent rise in revenues for the half year, from $169m in the first six months of 1996 to $219m this year. Net profits were up 18 per cent from $19.6m to $23.2m over the same period.

Israel Chemicals also said its board had recently hired McKinsey, the international consultancy firm, to help implement a comprehensive strategic plan for the group.

The Israeli daily Ha'aretz reported last week that part of the plan under consideration included a break-up of Dead Sea Works' main divisions into three independent components.

Israel Corporation, the holding company controlled by the Eisenberg family, holds a 42 per cent stake in Israel Chemicals and the government owns 32 per cent of the group. Some 25 per cent is traded on the Tel Aviv Stock Exchange.

Rabobank lifted by broking

By Gordon Cramb in Amsterdam

Rabobank, the Dutch co-operative banking group, nearly doubled its securities broking income to Fl 320m ($156m) in the first half of 1997. It also benefited from ties forged with Robeco, the asset management company.

Interim net profits rose 16.5 per cent to Fl 994m, buoyed by a 43.3 per cent boost in net commission income to Fl 894m. Interest income, reflecting its traditional operations rooted in rural industries, was up 9.5 per cent at Fl 3.74bn.

That was slower than the 10.9 per cent growth in the same period of 1996, but the bank said: "For the first time after many years of no improvement, loans to the primary agricultural sector rose slightly."

But it added that "the pull which stock exchanges had on investors", together with its own deeper involvement in the equities business, was in large measure responsible for growth. Rabo has taken a half share in Rotterdam-based Robeco and has an option on the remainder. Its own securities offshoot was active in flotations.

Endesa offer for Enersis under fire

By Imogen Mark in Santiago

Endesa's $1.5bn bid to take a controlling 29 per cent stake in Enersis, the Chile-based electricity group, is under fire from minority shareholders, who have challenged the price being offered by the Spanish group.

The deal is also threatened by a rival bid for one of the five power investment companies – or Chispas – which together control Enersis.

Chile Market Services, a Chilean stockbroker, on Friday offered to acquire up to 20 per cent of Luz, one of the Chispas, at 520 pesos a share, compared with 490 pesos under the Endesa offer. Endesa has set itself a target of buying 50 per cent of Luz's A shares, or common stock, and two-thirds of the stock in the four other Chispas.

Santander Merchant, adviser to Endesa, says it has firm agreements to buy 38 per cent of all the Chispas except Luz. It also has an agreement with 14 Enersis executives who hold the privately traded B shares, which would give Endesa control of the Chispas and through them 29 per cent of Enersis.

Endesa has offered to pay 220 pesos for each of the shares in the other four Chispas in the hands of non-Enersis group workers. Employees of Enersis companies will receive 260 pesos per share under the Endesa offer.

Santander Merchant on Friday warned that the rival bid for the Luz shares "endangers the success of the entire operation".

Santander executive Alonso Moreno said: "If Endesa's requirements are met, then we go ahead. But parallel offers put these conditions in danger."

Minority shareholders in Luz claim that the real price of their shares is closer to 350 pesos, the market value of Enersis.

"If this were happening in New York or London every analyst in town would be out with research the day after the tender was made, so shareholders would get an informed independent opinion on the offer," said Mr Larry Abraham, a US fund manager who is leading a minority shareholder committee.

"But right now, the shareholders don't even get to compare apples and oranges – it's apples or nothing."

The shareholders group has said it wants to convene extraordinary meetings of each of the other Chispas to consider outright sales of the companies' stakes in Enersis on the Santiago Stock Exchange.

Petronas buys stake in shipping group

By James Kynge in Kuala Lumpur

Petronas, Malaysia's national oil and gas corporation, said yesterday it had bought a 29.3 per cent stake in Malaysian International Shipping Corporation, the country's state shipping concern, in what is believed to be the first step in a complicated privatisation scheme.

Petronas declined to say how much it paid for the 293.5m shares it bought in MISC from Kampulan Wang Amanah Pencen, a civil servant's pension fund.

The deal comes on the heels of protracted negotiations for the acquisition of the same 29.3 per cent stake by Konsortium Perkapalan, an emerging road haulage and shipping company run by Mirzan Mahathir, the eldest son of the prime minister, Mahathir Mohamad.

Those negotiations were stalled by recent share price falls which left Mr Mirzan's bid price well short of what Kampulan Wang paid for the stake in 1994. Konsortium's offer valued the stake at around M$2bn (US$722m), compared with the M$2.2bn which Kampulan Wang is believed to have paid.

Industry analysts said Petronas' acquisition of the MISC stake was unlikely to be permanent. It is more likely that the national oil company will sell on part or all of its holding to Konsortium when financial terms can be agreed, they said.

The transfer of the stake to Konsortium would bring Dr Mahathir closer to realising a crucial economic aim. By ensuring the lion's share of the nation's transport industry is controlled by his son, he could hope to see progress in diverting to Malaysian ports an estimated 3m teus (20 foot equivalent units) of Malaysian cargo currently shipped through Singapore.

Dr Mahathir regards the shipping costs through Singapore as a needless outflow of funds which contributes to a swelling current account deficit. Singapore's port handles about 12m teus annually.

There were clear signs in the Petronas deal that Konsortium remains in the picture. The oil company will collaborate with the Konsortium group for the "betterment of sea and land-based logistics" in Malaysia, Petronas said.

Petronas is an important user of shipping services, especially in transporting cargoes of liquefied natural gas to Japan.

● Vans made with technology from Renault of France will be manufactured in Malaysia soon through a Malaysian, French and South Korean joint venture company.

The vans will be made by Industri Otomotif Komersial Malaysia, and will be in Kuala Lumpur by October.

Some 60 per cent of the van's content will be local, but engines, transmissions and some other parts will come from Renault.

NEWS DIGEST

Hicks Muse close to $1bn radio deal

Hicks, Muse, Tate & Furst, a Texas buy-out company, was yesterday said to be close to agreeing a $1.1bn takeover of SFX Broadcasting, a US radio company, in a deal that would turn Hicks Muse into the biggest radio station operator in the US. According to US media reports, Hicks Muse was negotiating to buy SFX for about $1.1bn in cash plus the assumption of $920m in debt, and the parties were hoping to announce a deal this week. On Friday, SFX's Nasdaq-quoted shares closed $1⅞ up at $67⅞.

If agreed, the deal would come just days after Hicks Muse announced a big expansion of its US television interests by agreeing to buy Lin Television, an operator of eight network-affiliated television stations, for $1.45bn in cash. SFX, which is based in New York, has 71 radio stations in markets that include Pittsburgh, Nashville, Raleigh and Jacksonville. Hicks Muse already owns 241 radio stations across the US following previous investments in the broadcasting business. The Dallas-based Hicks Muse has completed or agreed more than 100 transactions with a capital value of more than $22bn since its formation in 1989, but has recently leaned heavily towards investments in radio and television broadcasting.

Richard Tomkins, New York

■ TELECOM ITALIA

Unisource may take stake

Unisource, the telecoms joint venture of PTT Nederland, Telia of Sweden and Swiss Telecom PTT, may take a stake as part of a hard core of investors in Italy's Telecom Italia, according to the financial daily Il Sole 24 Ore. The paper, citing "authoritative sources", said the joint venture was likely to take a 1 per cent stake in Telecom Italia, ahead of its market privatisation later this year.

Government sources have said the Treasury was setting up a hard core of mostly Italian institutional and private investors for a total stake of some 15 per cent. But the names of some foreign investors have been mentioned as well, including Unisource and AT&T, the largest US telecom group, which is already a partner of Unisource, and which forged a global alliance with Telecom Italia. Foreign investors will be allowed stakes of no larger than 1 per cent, according to Il Sole, while no single company or investor will be able to hold more than 3 per cent.

Reuters, Rome

■ KIA RESCUE PLAN

84 more executives resign

South Korea's troubled Kia Group said 84 executives in the group voluntarily resigned yesterday in an effort to help its self-rescue plan. "Since the group was put under creditors' protection in July, a total of 104 out of 340 executives have resigned," Kia said.

In July, the group said it planned to reduce its workforce to 44,000 from about 60,000 on the completion of its restructuring plan. It then said it would also cut the number of its affiliates to five from the current 28, through sell-offs, mergers and spin-offs.

Reuters, Seoul

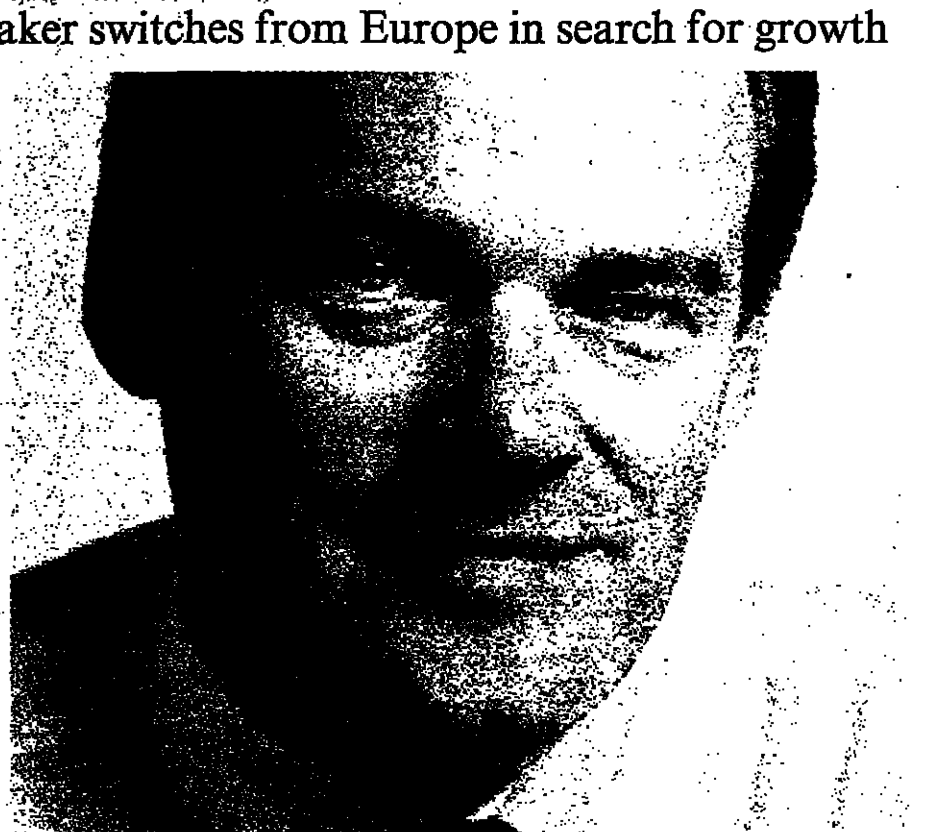
Change of culture at SKF

Ball-bearings maker switches from Europe in search for growth

For Peter Augustsson, chief executive of SKF, the Swedish company which is the world's biggest maker of industrial rolling bearings, 2007 is an important date in his calendar. SKF will be 100 years old – and Mr Augustsson intends to be in place to lead the celebrations.

Only 42, and in his current post for just over two years, Mr Augustsson has time on his side. His plans for SKF are based around stepping up investments in growth markets outside Europe, particularly in south-east Asia.

"Last year we could have milked the company and produced profits of SKr300m–SKr500m more than we did," says Mr Augustsson. "But we chose to invest in projects with a longer perspective which will pay off later."



Peter Augustsson: choosing to invest in projects with a longer perspective

It remains to be seen whether SKF's investors will share the chief executive's patience. The company has been among the poorer performers on the Swedish stock market; its shares have underperformed by about 20 per cent in the past two years although more recently have started to buck up slightly.

"Bearings is not an easy business and Peter Augustsson has the right kind of ideas," says Adam Hull, an analyst at HSBC James Capel in London. "But it's difficult to be convinced that the company is on the right track."

The problem for SKF – and other big groups in the world's bearings business, including FAG Kugelfischer of Germany, the US's Timken, and NSK and NTN of Japan – is that in most developed countries bearings are viewed as commodity products. Demand is muted, and competition tough.

Outside the main industrialised blocs, such as in east Asia, Latin America and eastern Europe, rapid economic growth makes prospects a lot juicier. But involvement in these markets is highly expensive both in terms of marketing and production, and seems unlikely to produce short-term pay-offs.

According to SKF, the average price of its products has risen by only about 1 per cent a year during the 1990s. Rolling bearings – which are divided into two types, roller and ball bearings – go into just about every kind of machinery with rotating parts, from cars to dish washers. The world contains an estimated 100bn rolling bearings of all types.

"The bearings makers are creating a lot of value, but don't seem to be getting paid for it," says Bernard Horn, president of Polaris Capital Management, a Boston-based investment group. "I worry about the price discipline in the industry."

Mr Augustsson joined SKF in 1994, after 16 years in management and engineering jobs at Volvo, the biggest Swedish car company. He is attempting to tackle the poor external conditions at SKF in a variety of ways.

Accounting for roughly a fifth of the $20bn a year world bearings market, the company has started a programme to reduce costs and increase productivity in its worldwide plants, with the aim of making the company more competitive.

Many of its 30,000 employees, two-thirds of whom are in Europe, are being grouped into "customer groups" to make them more responsive to market demands.

"We can't look for price increases as the basis for future growth, but must concentrate on removing costs and getting new products more quickly to our customers," says Mr Augustsson.

Among the new products are what SKF calls its Carb, or compact aligning roller bearing, which it is promoting as the biggest innovation in the industry for 40 years. It reckons the Carb enables industrial machinery to run 15 per cent more quickly, with consequent productivity gains.

The company has spent some SKr5bn ($629m) in the past two years boosting factory investment, with a large chunk adding to production in what it sees as growth markets – the US, Poland, India, Malaysia and South Korea.

Over the same time the company has also established five joint ventures in China, in what many believe will add up to the world's second or third biggest market for bearings early next century.

Mr Augustsson admits that in recent years the company has had too much of its production in the wrong place – in western Europe, where demand has been flat – instead of in south-east Asia, where bearings sales are expanding at up to 10 per cent a year.

Last year, when SKF turned in net income of SKr2.4bn on sales of SKr33.6bn, he reckons the cost to profits of this failure to be geared to growth markets was around SKr200m.

However, the investment strategy should gradually put this right. Over the next few years, he wants to double SKF's sales in Asia, which currently come to 13 per cent of its total, while pushing up revenues from North America (now accounting for a fifth of SKF's turnover) by 50 per cent.

Sales from Western Europe – which provides 55 per cent of SKF's revenues – will increase by no more than about 3 per cent a year, on Mr Augustsson's plans.

The final area of strategy is to concentrate more on "customised" bearings products, in which SKF can use its engineering skills to help solve a specific market problem, and accordingly charge a higher price.

An example could be a specialised component for truck axles, made under contract to a vehicle producer, and where SKF puts the basic bearing inside a specially engineered sub-system, increasing rotational efficiency and cutting fuel costs.

"The added value is greater; the skill is to sell our expertise as widely as we can," says Mr Augustsson. This underlines his general theme of switching the internal culture of SKF to ensure the "customer's voice comes over loud and clear".

He hopes to ensure that when SKF ultimately holds its 100th birthday party, it will be in better shape than now to prepare for its second century.

Peter Marsh

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Peter Martin

Bond ratings put to the test

Fifteen years is a long time in the life of a corporate *bond. If you* have any doubt about that, look at the chart *alongside*, which is a snapshot of data* produced by *Moody's Investors Service*, the bond-rating agency.

*If you look at all the corpo*rate bonds issued between *1920 and the present, you see* the pattern indicated in the chart. Over any 15-year period, only 1.1 per cent of the issuers originally rated Aaa – Moody's top rating – went into default. By contrast, 41.1 per cent of the issuers initially rated Caa or poorer were in default by the end of 15 years.

The high *default* rate for such junk bond issuers *slightly exaggerates* the case. In practice, it has been hard for such low-rated issuers to obtain 15-year money. So the 15-year rating history *largely reflects the progress* of formerly highly-rated companies that were *on the* skids at the time the mea*surement began. But the 10-*year pattern is only slightly *more favourable. Over this* period, 36.9 per cent of the *issuers originally* rated Caa or lower went into default.

Default is a wide-ranging term – it could indicate anything from missing a payment to bankruptcy. The figures are none the less enough to give any but the most enthusiastic junk-bond advocate a moment's pause.

The fundamental question *they raise is whether* the higher yields of low-rated paper compensate for the higher risks. Moody's Lea Carty, who wrote the study, *is sanguine: "The evidence I* have seen," he says, "is that *the spreads do compensate* an investor with a diversi*fied portfolio".*

He sounds one word of caution, however. The evidence he is referring to is based on 1980s data, when spreads were significantly wider than today. The median spread on junk bonds is now 303 basis points (3.03 percentage points), compared with 360-370 basis points in the late 1980s. "The spread has tightened by between 15 and 20 per cent," says Mr Carty.

Huge quantities of low-rated debt are being issued *at these narrow spreads.* This year has seen more than $20bn of Caa-rated debt brought to market. Such issues – from issuers such as grocery stores, cable-television systems or casinos – *are extraordinarily vulnerable. "If you see a stock market drop or financial market* conditions deteriorate," says *Mr Carty, "you will see a lot* of Caa issuers in default within a year."

A related point is the *extent to which it is possible* to obtain genuinely diversified portfolios of junk debt. If the securities in your portfolio are highly correlated, in terms of rating quality, they will all move together in response to external stimuli.

This is a controversial issue on which it has previously been hard to obtain *good* data. *The Moody's* study provides an insight. It suggests that companies in the same industry, or in the same country, are more likely to undergo similar movements in credit quality than *those that do* not have these factors in common. To *build a robust portfolio*, says Mr Carty, "it's not enough to have *a lot of assets* – you have to have a lot of uncorrelated assets."

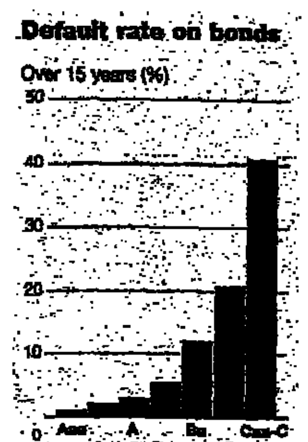
There is one other lesson in the *Moody's study for* anyone building a big portfolio of high-yield, low-rated bonds. It reveals a striking historical pattern: there were huge numbers of bond issuers in the 1920s and to some extent in the 1930s, followed by a 50-year slump. "It was not until 1994 that Moody's again rated as many *corporate issues as it did* in 1920," says the study. In fact, the number of US issuers of corporate bonds rated by Moody's is still well below the *figure for 1920; only a* surge in the number of international issuers pushes the overall total above the level of 77 years ago.

In the intervening period, tight regulation of the sort of securities investment institutions could buy pushed low-rated borrowers out of the public debt markets, and *into the hands of the banks.* Only in the last couple of decades has this trend been *reversed, leading to the* explosion of junk borrowing. Arguably, that healthy; perhaps the past approach stifled too many potentially fruitful businesses.

The change is a dramatic one, however. It means that the credit-quality lessons of the period from 1930-1980 are only partly relevant to investors buying today's junk bonds. Everyone knows that, above 8,000, the Dow Jones *Industrial Average* is in uncharted territory. Not everyone perhaps realises that the corporate bond market is also in *terra incognita.*

Email: peter.martin@FT.com
**Moody's rating migration and credit quality correlation 1920-1996. By Lea V. Carty. Global Credit Research Special Comment, Moody's Investors Service, New York, July 1997.*

Default rate on bonds



Total return in local currency to 21/08/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.06	0.07	0.13	0.13
Month	0.47	0.05	0.26	0.28	0.58	0.57
Year	5.90	0.86	3.48	4.24	8.54	6.06
Bonds 3-5 year						
Week	0.07	0.11	0.09	0.16	0.49	0.17
Month	0.12	0.96	–0.55	–0.32	–0.25	0.87
Year	7.22	5.34	7.37	8.22	17.03	7.23
Bonds 7-10 year						
Week	0.00	0.21	0.36	0.43	0.90	0.20
Month	–0.42	1.72	–0.23	–0.21	–0.30	0.73
Year	8.02	10.12	12.02	12.90	28.09	11.74
Equities						
Week	0.1	–0.4	0.8	1.2	–0.7	–0.2
Month	1.6	–2.7	3.7	2.9	–2.7	4.2
Year	41.5	–3.6	64.3	49.7	55.7	29.7

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Excel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Compiled By AFX News

Novartis reports first half since merger

Novartis, the Swiss pharmaceuticals group, is expected to report net profits *of SFr2.5bn ($1.69bn) to* SFr2.6bn in its first half *results on Thursday.*

There are no comparable net profit figures for the same months of last year because these are the first half-year figures since Novartis was formed through the merger of Ciba-Geigy and Sandoz. Last month, Novartis reported interim sales of SFr16.56bn *from a pro forma SFr13.9bn* a year earlier.

Albert Pauchard, analyst at Coutts & Co pharmaceuticals, estimates first-half net profit at SFr2.516bn. The *market is expected to focus* on news related to operating margins and restructuring.

"Restructuring measures are progressing at the rapid pace the company had indicated," Pauchard said.

Genghis Lloyd-Harris, a pharmaceuticals analyst with Credit Suisse First Boston in London, said he *expects Novartis to report* net profit of SFr2.63bn on an *operating profit of SFr3.40bn.*

■ **Fortis**, the Dutch financial services group, is expected to report first half net profits on Thursday of Ecu439m ($470m) to Ecu549m, up from Ecu366m a year earlier.

Fortis Amev net profit is forecast at Fl 478m-Fl 504m from Fl 398m a year earlier, *with earnings per share* up at Fl 2.61-Fl 2.75 from Fl 2.19, *they predicted.*

In the first quarter, gen*eral insurance* was depressed by bad results in *Spain and Belgium*, and the comparison basis for the second quarter is not very favourable, as the 1996 number was a record profit for Fortis.

In banking, the group expects a positive contribution from the acquisition of *MeesPierson of Fl 0.30-Fl 0.35* a share, while the recovery *of Dutch VSB Bank should* have continued in the sec*ond quarter.*

■ **Acer**, the Taiwanese computer group, is expected to report first half to June net profit of between T$1.1bn ($39m) and T$1.4bn, down from T$1.71bn a year earlier, on the back of a poor performance at its US units, dealers said. The results are *expected to be released after* a board meeting on Aug 29, *but are unlikely to be accom*panied by a revision of the company's full-year net profit forecast.

Acer forecasts 1997 net profit rising from T$3.06bn to T$4bn a year earlier on an increase in sales from T$57.52bn to T$77.7bn.

■ **Koninklijke Bols Wessanen**, *the Dutch drinks group*, is expected to report on Wednesday half-year net profit from ordinary operations of between Fl 72.5m ($36m) and Fl 88m, against Fl 68.9m a year earlier.

Profit growth should *reflect the stronger dollar*, and the positive effects of a *restructuring last year, for* which the company set aside Fl 14.5m in provisions in the 1996 second half.

Analysts said that the six months results will benefit *from a favourable compari*son base, adding that the year-earlier results showed a fall in bottom-line net profit to Fl 63.5m, including a Fl 5.4m extraordinary loss relating to the disposal of the German distilling unit Strothmann's, from Fl 87.9m in the first *half* of 1995.

■ *Dutch banking group ING* Group is expected to report on Thursday net profit for the six months to June 30 of Fl 1.83bn–Fl 1.91bn, up from Fl 1.51bn a year earlier, according to analysts' forecasts. They expect ING to raise its first-half dividend to Fl 1 from Fl 0.83 a year earlier, in line with its usual *practice of declaring* an interim dividend at 50 per *cent of the previous full-year* figure. The 1996 full year dividend was Fl 2.

■ *Matsushita Electric* of Japan is expected on Wednesday *to announce* a first-quarter to June pre-tax profit of Y55bn–Y65bn, up from Y50.7bn a year earlier, analysts said.

The company benefited from a weak yen and strong electric parts sales, coupled with firm demand for cellular phone handsets and car audio equipment.

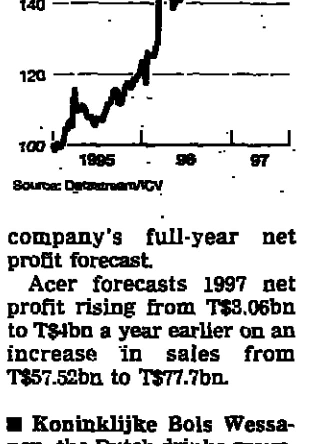
■ **T&N**, the engineering group, will be on trial for its independence when it reports interim figures on Thursday. Brokers are expecting pre-tax profits in the range £75m-£80m, down a touch from last year's £83m, thanks largely to the strength of sterling.

The *figures will* be the first in a long time to be free *of provisions against liabili*ties arising from T&N's roots as a processor of asbestos. But a series of false dawns over *the asbestos* problem has left investors sceptical and whetted the appetites of predators.

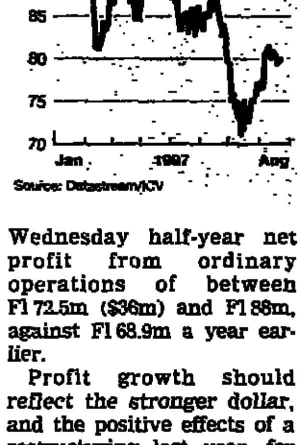
■ Interim figures from Rolls-Royce on Thursday are expected to reveal the extent of the recovery in aircraft deliveries. The company reported an interim pre-tax loss last year of £169m because of special provi*sions. Analysts' pre-tax* profit forecast for the six months to June 30 range from £110m to £148m.

Rolls-Royce has a strong position in Asia, and the focus will be on its expansion there. However, margins in the aviation division are expected to be eroded by intensifying competition in *the civil aviation sector*, and there will be interest in the *company's military order* book.

Novartis



Rolls-Royce



INTERNATIONAL EQUITIES By Jonathan Wheatley in Sao Paulo

Brazil keeps investors guessing

International offers are a rare event in Brazil, so investors will be looking *with interest at government* plans to sell large minority *stakes in two recent stars of* its privatisation programme: Companhia Vale do Rio Doce (CVRD), the mining group whose control was sold in May, and Light, the Rio de Janeiro electricity company privatised a year earlier.

The sale of the government's remaining 31.5 per cent of CVRD's voting stock completes *Latin America's* biggest privatisation and is a *huge operation in itself.* At today's prices, the shares have a value of about R$2bn ($1.8bn). The Light sale is worth about R$1.2bn.

Neither sale is expected before the end of the year, so it came as a surprise when local press reported last week that the BNDES, the National Development Bank *which runs the privatisation* programme, had finalised *the model for both offers.*

The CVRD sale was scheduled for November, the reports said, with 80 per cent *of the offer to be placed over*seas as ADRs and the *remainder in Brazil.* They said global co-ordinators were Merrill Lynch and NM Rothschild, with Goldman Sachs and Morgan Stanley as co-managers in the US. The local offer would be co-ordinated by Bradesco, Brazil's biggest bank, with the help of 23 local and foreign financial institutions. The *Light sale would take place* at the same time along similar lines, with *Goldman* Sachs as international co-ordinator.

But things are rarely as clear-cut as they may seem in Brazil and, despite apparent confirmation of the reports from a senior BNDES official, they were denied on Friday by Luis Carlos Mendonça de Barros, *the BNDES's president, who* confirmed only the appoint*ment of international co-or*dinators and co-managers. Matters of timing, and of how many shares would be *apportioned to which mar*kets, remained to be decided.

In the case of CVRD, one other question remains unanswered. CVRD has ADRs representing its preferential shares, which have greater liquidity than the voting shares that make up the forthcoming offer. It is unclear what shape the ADR programme will take after the offer, and whether investors will be asked to buy ordinary shares on their *own, or "units" representing* one ordinary and one preferential share.

"The outcome of the offer is complicated by the fact that CVRD's ordinary shares aren't very attractive to international buyers," says one analyst in Sao Paulo. "Why should they buy them if liquidity is low and there *is no prospect of gaining* control?"

At home, the government can be confident of healthy demand: this has been a big year for equity funds, which *have benefited from a mass* migration away from fixed income funds as domestic interest rates have fallen.

On international markets, gauging the success of an offer so far in the future is much trickier. One group of potential buyers is international funds which may trade only on the New York Stock Exchange. David Chon of Bear, Stearns in New York, reckons the size of the offers makes these "world *class assets" that will appeal* to investors beyond those who specialise in Latin America. But the offer's success will still depend on factors affecting the region.

"The fundamental case for Latin America is strong," he says, "but corrections on markets in the US, Europe and Asia have curbed enthu*siasm for the region. We're* in a global air pocket on *equity markets right now."*

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 22 1997								THURSDAY AUGUST 21 1997				DOLLAR INDEX			
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	230.51	3.9	212.91	171.06	217.78	205.03	10.3	3.76	233.09	217.71	173.25	223.21	207.46	243.87	200.17	206.79
Austria (25)	190.57	0.3	176.02	141.42	180.05	179.94	18.4	1.83	195.73	182.81	145.48	187.43	187.32	206.00	174.70	177.37
Belgium (28)	237.36	4.2	219.25	176.16	224.27	219.76	23.2	3.11	239.11	223.34	177.72	228.98	224.42	261.11	213.92	216.67
Brazil (30)	266.18	40.3	245.86	197.53	251.48	534.79	47.4	1.37	268.00	250.32	199.19	256.64	538.86	322.44	172.54	177.59
Canada (126)	214.66	13.1	198.27	159.30	202.81	216.71	15.0	1.71	215.12	200.93	159.89	206.01	217.29	224.03	162.51	164.00
Denmark (32)	389.90	10.8	360.13	289.34	368.37	367.72	30.2	1.49	391.73	365.89	291.16	375.13	374.13	421.25	316.97	316.97
Finland (26)	295.97	20.5	273.37	219.64	279.63	337.72	42.1	1.63	303.93	283.88	225.90	291.06	350.60	314.05	205.98	207.71
France (83)	224.89	5.1	207.72	166.89	212.47	215.99	23.7	2.44	225.86	210.77	167.73	216.10	219.81	237.57	187.42	190.10
Germany (59)	222.84	17.3	205.82	165.37	210.53	210.53	38.3	1.36	228.80	213.71	170.06	219.11	219.11	238.42	172.93	174.95
Hong Kong, China (66)	537.16	6.9	496.15	398.63	507.50	534.07	6.1	2.86	543.68	507.81	404.10	520.65	540.51	580.03	421.41	439.88
Indonesia (27)	177.23	–22.3	163.70	131.52	167.44	290.84	–12.1	2.23	185.22	173.00	137.67	177.38	305.09	254.90	168.14	187.92
Ireland (17)	365.59	11.2	337.68	271.30	345.40	349.93	27.8	2.79	367.02	342.81	272.79	351.47	356.68	376.16	284.36	284.36
Italy (53)	97.93	17.3	90.46	72.68	92.53	129.73	36.8	1.83	97.99	91.52	72.83	93.84	131.44	105.79	73.26	76.66
Japan (485)	128.35	–0.6	118.55	95.25	121.26	95.25	0.6	0.83	131.12	122.47	97.46	125.56	97.46	149.58	107.57	149.58
Malaysia (107)	394.59	–34.6	364.46	292.82	372.80	421.64	–28.1	1.66	400.82	374.38	297.92	383.84	426.22	660.85	383.53	553.57
Mexico (27)	1794.99	47.1	1657.94	1332.06	1695.89	15263.37	45.6	1.47	1815.75	1695.95	1349.59	1738.81	15425.33	1854.38	1136.59	1309.61
Netherlands (19)	402.57	19.8	371.83	298.75	380.34	375.91	41.6	2.10	412.18	384.98	306.36	394.71	390.26	431.66	297.04	302.34
New Zealand (14)	89.47	–2.5	82.64	66.40	84.53	73.55	6.7	4.01	89.53	83.62	66.54	85.73	74.25	96.47	83.03	84.59
Norway (41)	318.85	7.2	282.66	235.13	299.35	328.36	27.4	1.88	317.63	296.68	236.08	304.17	331.12	330.72	249.20	248.70
Philippines (22)	130.19	–36.1	120.25	96.61	123.00	193.40	–27.5	1.07	132.18	123.46	98.24	126.58	196.95	214.07	124.51	205.05
Singapore (42)	341.44	–18.7	315.37	253.38	322.59	234.92	–13.2	1.31	339.56	317.15	252.38	325.17	234.40	448.01	329.94	401.75
South Africa (44)	338.16	6.2	312.34	250.95	319.49	346.94	6.6	2.46	340.40	317.94	253.01	325.98	352.63	370.12	301.49	318.57
Spain (33)	243.51	10.8	224.92	180.71	230.07	284.08	31.1	2.34	243.56	227.49	181.03	233.24	287.34	278.05	173.01	176.89
Sweden (49)	486.66	15.3	449.50	361.15	459.79	573.18	34.4	1.80	495.28	462.60	368.12	474.29	587.26	512.39	358.30	360.00
Switzerland (33)	296.76	24.4	274.10	220.22	280.37	275.84	38.9	1.21	303.05	283.06	225.25	290.21	284.83	329.59	231.89	250.38
Thailand (42)	46.32	–51.6	42.79	34.38	43.76	60.86	–36.2	5.07	50.64	47.30	37.64	48.49	64.26	146.69	46.32	142.51
United Kingdom (213)	309.74	9.4	286.09	229.86	292.64	286.09	16.6	3.49	310.87	290.36	231.08	297.70	290.36	325.28	244.02	244.02
USA (637)	375.02	24.2	346.39	278.30	354.32	375.02	24.2	1.65	375.87	351.08	279.38	359.95	375.87	389.67	264.75	273.09
Americas (820)	342.56	24.0	316.41	254.22	323.65	288.53	24.2	1.64	343.39	320.73	255.23	328.84	289.32	356.35	242.47	249.79
Europe (713)	270.35	12.8	249.71	200.62	255.42	260.65	27.5	2.44	273.36	255.32	203.18	261.78	266.74	284.44	212.81	214.60
Nordic (150)	415.32	14.5	383.61	308.21	392.39	427.46	34.0	1.74	421.80	393.98	313.51	403.93	437.95	437.88	310.57	311.35
Pacific Basin (881)	145.53	–2.1	134.41	107.99	137.49	109.16	–0.3	1.32	148.33	138.55	110.25	142.05	111.40	163.27	127.16	163.27
Euro-Pacific (1594)	197.63	8.0	182.54	146.66	186.72	166.07	14.3	1.96	200.52	187.30	149.04	192.03	169.74	209.12	173.55	184.53
North America (763)	365.04	23.7	337.17	270.90	344.89	364.46	23.8	1.65	365.87	341.73	271.94	350.36	365.30	379.38	259.56	266.41
Europe Ex. UK (500)	243.06	14.8	224.50	180.37	229.64	240.34	34.1	1.95	246.81	230.52	183.44	236.35	247.11	258.73	191.01	193.81
Pacific Ex. Japan (396)	294.29	–6.7	271.79	218.37	278.01	265.58	–2.4	2.88	297.83	278.18	221.37	285.21	269.77	320.66	280.77	288.37
World Ex. US (1821)	201.63	6.9	186.24	149.63	190.50	172.92	14.7	1.95	204.42	190.93	151.94	195.76	176.51	212.89	176.94	186.70
World Ex. UK (2245)	252.01	15.2	232.77	187.02	238.09	225.36	19.2	1.62	254.22	237.45	188.95	243.45	227.96	262.69	204.12	209.77
World Ex. Japan (1973)	322.60	17.9	297.97	239.40	304.79	318.74	23.1	1.98	324.48	303.07	241.17	310.73	319.83	334.83	242.70	247.18
The World Index (2458)	256.99	14.6	237.37	190.71	242.80	231.00	19.0	1.80	259.12	242.02	192.59	248.14	233.74	267.21	207.64	212.75

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.85 (US $ Index), 114.45 (Pound Sterling) and 122.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 184.07 (Pound Sterling) and 149.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.40 (Local).
CONSTITUENT CHANGES DURING THE WEEK ENDING 22/8/97: Deletion: Nynex Corp. (USA). Name change: Berjaya Industrial to Reliancepacific BHD (Malaysia).

MARKETS: This Week

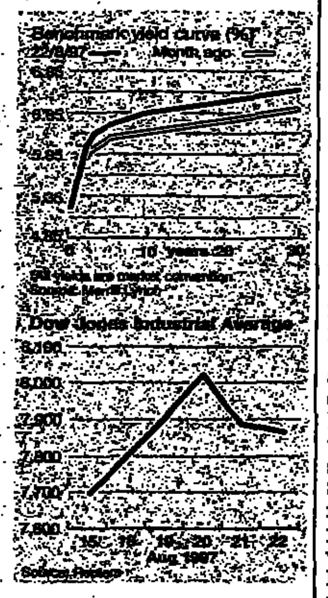
NEW YORK By Richard Tomkins

Volatility has become the keynote of US markets. The Dow Jones Industrial Average took equity investors on a wild ride last week, gaining more than 100 points on each of the first three days, only to tumble more than 100 points on the fourth. Then on Friday, the index plummeted by 177 points, only to recover nearly all its losses in the final hour of trading.

The sharp swings reflect intense nervousness in the markets about how much the longer the bull run in equities can continue. The economic backdrop remains favourable, but investors believe it is only a matter of time before things deteriorate.

Adding to the anxiety is the looming anniversary of the October 1987 crash, bringing back memories of how the last bull run ended. Today marks the 10th anniversary of the day the Dow peaked in the run-up to the crash.

With few decisive economic statistics due this week, more wild swings are possible as the markets search for direction. The most decisive event may be the publication of the revised figures for second-quarter gross domestic product, due on Thursday.



Analysts are expecting the preliminary figure of 2.2 per cent to be revised sharply upwards, to 3.3 per cent – indicating that the supposed economic slowdown of the second quarter was illusory.

On the other hand, figures for July's durable goods orders, which are due for release tomorrow, are expected to show a modest rise of 0.2 per cent, and the figure for July new home sales, due on Friday, is expected to be down from 819,000 in June to 812,000.

LONDON By Steve Thompson

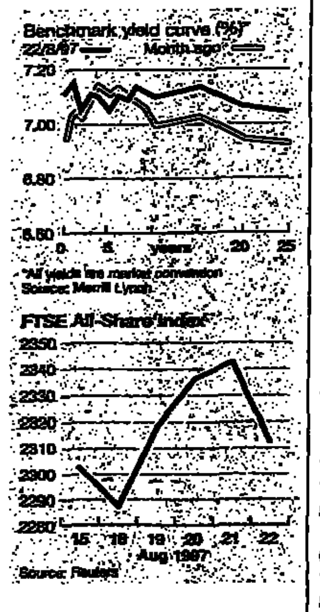
Fund managers and traders returning after the August bank holiday weekend will need to have been refreshed to cope with the wild swings in sentiment in the London market.

And they must be hoping that the long hot summer, which brings with it only lightly-manned trading desks and resulting exaggerated share price movements, cools down pretty quickly.

There was no let up in the stock market's pressure-cooker atmosphere on Friday, when London, and the rest of Europe, fell sharply in the wake of Wall Street's latest three-figure fall. This was followed by yet another bout of weakness in US stocks on Friday after the European markets close.

The London market proved remarkably resilient in the face of the 247 point fall in the Dow Jones Industrial Average, with institutions apparently reluctant to sell any sizeable amounts of stock. That stock had proved difficult to buy in the market's run up to record levels, dealers said, and the institutions simply sat on their hands after Dow's big fall.

It is a thin week for UK economic news, with global trade figures for June and non-EU trade figures for July on the agenda.



But there is no shortage of corporate news on the schedule, including interims from FTSE 100 constituents Rolls Royce, Ladbroke and Reckitt & Colman. Other important company news is forthcoming from Marley, WH Smith, Thistle Hotels and Hammerson.

The main worry for both gilts and equities might come from bond markets, which showed signs of cracking last week.

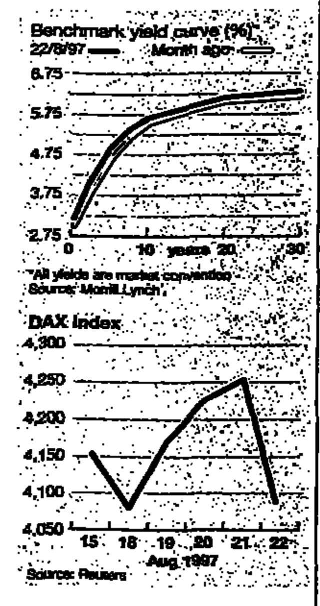
FRANKFURT By Andrew Fisher

Expectations of an early rise in a key Bundesbank interest rate have risen with news of higher import prices as a result of the strong dollar. However, the US currency fell on Friday, taking some pressure off the German central bank.

The bank held its interest rate fire at Thursday's post-holiday council meeting, mindful of volatile capital markets and the risks of upsetting economic recovery. But leading council members have warned that price trends are moving in the wrong direction. July import prices were 4.2 per cent higher on the year, the steepest rise since 1989.

Economists are still divided on when the bank will act. It increased its scope for manoeuvre by deciding to announce terms of the securities repurchase (repo) tenders each week instead of fixing them in advance. Thus the 3 per cent repo rate could be allowed to edge up.

Growing evidence of more robust economic growth and stronger price trends could force the Bundesbank to act soon, says Eckhard Schulte, economist at IBJ Research. "We think that within the next four weeks a switch in the repo policy will occur." He expects this week's preliminary August inflation data to show a west German rate of 1.9 per cent and one for the whole country of 2 per cent.



German equities confounded doomsayers with a correction rather than a collapse last Monday – with the DAX index briefly below 4,000 – but Friday saw another sharp fall under the influence of a nervous Wall Street. This week sees interim figures from Lufthansa, Deutz and Krupp Hoesch.

TOKYO By Gwen Robinson

Bonds and equities are expected to stay on contrasting paths this week, with government bonds continuing their record-breaking run while the equity market languishes.

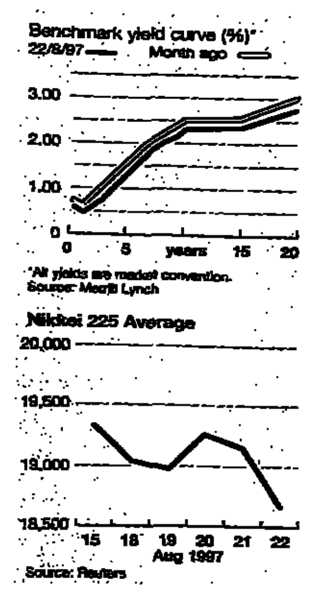
The Nikkei 225 took another dive on Friday, falling 2.7 per cent to 18,650.17, its lowest level since late April.

Analysts said too many negative factors converged at one time, including New York's erratic performance, growing concern about the domestic economy and recent corporate failures, as well as the approach of the interim book-closing period at the end of September.

Most Japanese companies have March-end business years, and institutional investors often sell high-priced stocks to take profits in August and early September, ahead of their book-closings.

Given its recent performance, the market is more vulnerable than usual to the shift to the sell side. Analysts say continued selling could drive the Nikkei towards 18,000 this week.

The next sign of Japan's economic health and consumer sentiment will be today's publication of July vehicle sales and national department store sales.



Economists expect the trends to remain weak, reinforcing the view that consumption is still suffering the effects of the April sales tax increase.

Japanese government bonds, by contrast, are expected to continue their bull run after last week's record highs. The key 10-year JGB rose 0.04 on Friday to 106.58, while the yield fell to 2.050 per cent after reaching a record intraday low of 2.040 per cent.

COMMODITIES By Gary Mead

LME in aluminium squeeze

The three-week long tightness in aluminium resulted in some 36,000 tonnes of metal being delivered into London Metal Exchange warehouses last week. By Friday, LME net stocks were 20,000 tonnes higher at 678,500 tonnes, the extra aluminium being attracted as a direct consequence of the current futures-related "squeeze".

Some analysts suggest that perhaps as much as 50,000 tonnes more will find their way into LME stocks this week.

At first sight this is puzzling, as there is no global shortage of aluminium, though analysts at GNI Research argued at the start of August that a shortfall might develop by 1999. But this squeeze, according to specialists, is derivatives-driven and largely unrelated to fundamentals.

Targets of the squeeze are believed to be traders who have granted large volumes of uncovered call options (options giving the buyer the right to purchase a particular futures contract at a specific price within a specified period of time) at $1,700 a tonne.

Speculators have sensed an opportunity, and have been buying aluminium futures in the hope they can profit by driving the price above that level.

As the traders granting the call options try to cover their positions – in case they have to deliver the metal – those betting against them hope that prices will go even higher.

Thus the influx of aluminium into LME warehouses has a significant bearing on which side, ultimately, will win.

Some analysts believe there might be as much as 600,000 tonnes of aluminium – some 3 per cent of annual global capacity – held in non-LME stocks.

Depending on how long and strong is the market's present backwardation – a price premium on metal for immediate over that for future delivery – we may yet see even greater quantities of the metal being shipped into LME inventories.

OTHER MARKETS Compiled by Jeffrey Brown

PARIS

French shares will spend this week tracking the currency markets and the Bundesbank for clues to the next move in German interest rates, as well as peering ahead nervously to the looming results season.

The latter gets under way in earnest from the beginning of September, with the Total and Elf Aquitaine oil giants among the earliest companies to announce six-month figures.

Interest in the sector was sparked last week by news of Elf's important oil find in Angola.

Selected banking shares also rose above the general somnolence – volume fell short of 9m on a couple of sessions – with takeover talk picking out CCF and BNP.

But markets mostly traded sideways. In fact, the leading CAC 40 index has swung fairly narrowly either side of 3,000 since July 1 and brokers see little immediate scope for any radical change of heart until tomorrow's Bundesbank repo announcement is out of the way.

Mainstream corporate news is thin on the ground. On Friday, consumer products leader L'Oreal is due to preview its interim results.

AMSTERDAM

Last week's no-change signal on German interest rates from the Bundesbank allowed the Dutch market to notch up the best performance of the week, turning a loss of more than 10 per cent on the AEX index into a 1 per cent rally. Trading is likely to remain volatile.

Results news will centre on interim figures from financial groups ING and Fortis on Thursday and publisher VNU on Tuesday. Strong numbers are widely expected.

There should be good news too from the broader economy with second-quarter GDP due for release. Buoyed by consumer spending, first-quarter growth of 2.1 per cent is projected to expand to 3 per cent.

ZURICH

Another volatile week is in prospect as the tug of war continues between investors who believe the market has further upside potential and those content to book profits after the 50 per cent advance this year.

On the corporate front, CS Group, which plans a merger with Winterthur Insurance, will flesh out first-half results on Wednesday; provisional figures came on August 11. On Thursday, detailed first-half figures are expected from Novartis.

At CS First Boston in Zurich, Josef Scherrer warns that the risk/reward ratio for the equity market has continued to deteriorate and is now at its worst since 1993.

He sees a relatively high chance of a big cyclical correction, with the SMI index down to 4,900-5,000 over the next three to six months. That would compare with a peak of just over 6,000 points in early July and 5,475 at Friday's close.

Further ahead, Mr Scherrer expects economic revival to lead to a resumption of upward progress for shares by the second quarter of 1998.

HONG KONG

The first public land auction under the new government could restore some much needed faith in Hong Kong equities, whose Hang Seng index fell 4 per cent last week after a renewed outbreak of currency scares.

Three sites will be sold on Wednesday, including a rare site in Repulse Bay which is expected to attract keen bidding from developers. Brokers calculate that the auctions, which will provide an important test of confidence for property shares, will bring in $5bn.

An undertow of bullishness is being provided by H-shares, the shares of Hong Kong listed mainland China companies. The H-shares index rose 2.9 per cent on Friday for a three-day surge of more than 18 per cent.

CURRENCIES

Bundesbank keeps up variable guessing game

The Bundesbank has the market on the hop going into this week. Since July, its council has been threatening to shift from a fixed to a variable-rate repo, under which, traders believe, rates would creep up from their current 3.0 per cent. The threat has been enough to buoy the D-Mark.

Last Thursday, at its first meeting after a four-week break, the council renewed the threat. Instead of fixing the repo rate, as it usually does, it said it would delay setting the conditions for its money market operations until tomorrow.

Traders believe it will now set repo conditions weekly. Therefore, they will worry every week about whether the bank will announce a variable-rate tender.

The D-Mark is therefore edging up without Germany raising interest rates. The currency is now at the top of its recent range against the dollar, at about DM1.81.

Carl Weinberg, chief economist at High Frequency Economics in New York, says: "To draw upon the phraseology of another famous German writer, may we suggest that fear of rate hikes is worse than an interest rate hike itself."

Few expect a variable tender to take force tomorrow but traders will seek more clues in a speech by Hans Tietmeyer, Bundesbank president, to the International Business Journalists Forum in Frankfurt on Wednesday.

Wednesday could be a bad day for sterling – the UK's visible trade balance for June and its non-European Union trade balance for July are due.

The figures could show sterling's 12-month rise has begun affecting UK exports. Orders are already at their lowest since November 1992, according to the Confederation of British Industry.

In the US, preliminary second-quarter gross domestic product figures on Thursday, and personal income and consumption figures for July on Friday should attract some notice.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BT (UK)	MCI (US)	Telecoms	$17bn	Price agreed
Rhône-Poulenc (France)	Rhône-Poulenc Rorer (US)	Pharmaceuticals	$4.6bn	Rise for minority
Fujitsu (Japan)	Amdahl Corp (US)	Computer servs	$850m	Increased offer
Banco Santander (Spain)	Banco Noroeste (Brazil)	Banking	$500m	LatAm expansion
Axlohm (France)	DH Technology (US)	Printing equip	$175m	Cash offer
Hays (UK)	FDS (France)/van der Heijden (N'lands)	Logistics	$147m	Bid for No 1 slot
KLM (N'lands)	Braathens Safe (Norway)	Airlines	$94m	Extends alliances
Albright & Wilson (UK)	A & W Troy (Mexico)	Chemicals	$37m	Lifts joint venture stake
ICI (UK)	Asian Paints (India)	Paints	$36m	Stake needs Indian OK
BICC (UK)/NKF (N'lands)	Kaiser Two Kabel (JV)	Cables	n/a	Cutting losses

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 22, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7824.70	4750.00	2813.77	4046.00
Albania	(Lek)	255.227	159.000	87.4824	135.434
Algeria	(Dinar)	96.7944	60.3005	33.1814	51.3633
Andorra	(French Fr)	9.8282	6.1227	3.3692	5.2152
	(Sp Peseta)	247.169	153.980	84.7324	131.158
Angola	(Read Kwanza)	412742.1	257128.0	141489.0	219018.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	(Sucre)	6546.01a	4078.00	2243.99	3473.59
Egypt	(Egyptian £)	5.4517	3.3963	1.8688	2.8929
El Salvador	(Colon)	14.0535	8.7550	4.8176	7.4574
Equat'l Guinea	(CFA Fr)	982.820	612.270	336.921	521.525
Estonia	(Kroon)	23.3347	14.5369	7.9994	12.3824
Ethiopia	(Ethiopian Birr)	10.6561	6.6385	3.6530	5.6546
Falkland Is	(Falk £)	1	0.6230	0.3428	0.5306
Faroe Is	(Danish Krone)	11.1310	6.9343	3.8158	5.9066
Fiji Is	(Fiji $)	2.3087	1.4383	0.7916	1.2256
Finland	(Markka)	8.7275	5.4370	2.9919	4.6312
France	(Fr)	9.8282	6.1227	3.3692	5.2152
Fr. Cty/Africa	(CFA Fr)	982.820	612.270	336.921	521.525
Fr. Guiana	(Local Fr)	9.8282	6.1227	3.3692	5.2152
Fr. Pacific Is	(CFP Fr)	178.869	111.431	61.3167	94.9136
Gabon	(CFA Fr)	982.820	612.270	336.921	521.525
Gambia	(Dalasi)	16.0496	9.9985	5.5018	8.5168
Germany	(D-Mark)	2.9171	1.8173	1	1.5479
Ghana	(Cedi)	3531.45	2200.00	1210.62	1873.94

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6230	0.3428	0.5306
Greece	(Drachma)	458.333	285.530	157.122	243.211
Greenland	(Danish Krone)	11.1310	6.9343	3.8158	5.9066
Grenada	(E Carib $)	4.3341	2.7000	1.4857	2.2998
Guadeloupe	(French Fr)	9.8282	6.1227	3.3692	5.2152
Guam	(US $)	1.6052	1	0.5503	0.8518
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Moldova	(Leu)	7.3117	4.5550	2.5065	3.8799
Monaco	(French Fr)	9.8282	6.1227	3.3692	5.2152
Mongolia	(Tugrik)	14120.6	8796.76	4840.57	7492.98
Montserrat	(E Carib $)	4.3341	2.7000	1.4857	2.2998
Morocco	(Dirham)	15.6913	9.8625	5.4270	8.4008
Mozambique	(Metical)	18353.9	11434.0	6291.75	9739.35
Namibia	(S A Rand)	7.5349	4.6940	2.5830	3.9983
Nauru Is	(Australian $)	2.1466	1.3373	0.7359	1.1391
Nepal	(Nepalese Rupee)	91.4162	56.9500	31.3377	48.5094
Netherlands	(Guilder)	3.2840	2.0459	1.1258	1.7426
N'nd Antilles	(A/Guilder)	2.8733	1.7900	0.9850	1.5247
New Zealand	(NZ $)	2.4851	1.5481	0.8519	1.3187
Nicaragua	(Gold Cordoba)	15.3703	9.5753	5.2690	8.1561
Niger Rep	(CFA Fr)	982.820	612.270	336.921	521.525
Nigeria	(Naira)	35.1314o	21.8860	12.0431	18.6423
	(Naira)	132.269m	82.4000	45.3432	70.1874
Norway	(Nor. Krone)	12.1816	7.5888	4.1760	6.4641
Oman	(Rial Omani)	0.6181	0.3851	0.2119	0.3280

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	64.9777	40.4795	22.2751	34.4800
Panama	(Balboa)	1.6052	1	0.5503	0.8518
Papua New Guinea	(Kina)	2.2593	1.4075	0.7745	1.1989
Paraguay	(Guarani)	3500.94	2181.00	1200.13	1857.75
Peru	(New Sol)	4.2522	2.6490	1.4577	2.2564
Philippines	(Peso)	47.8611	29.8100	16.4039	25.3918
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom	(£)	1	0.6230	0.3426	0.5306
United States	(US $)	1.6052	1	0.5503	0.8516
Uruguay	(Peso Uruguayo)	15.5705	9.7000	5.3376	8.2624
Vanuatu	(Vatu)	186.043	115.900	63.7777	98.7223
Vatican	(Lira)	2847.22	1773.75	976.083	1510.86
Venezuela	(Bolivar)	796.380v	496.125	273.009	422.584
Vietnam	(Dong)	18769.5	11693.0	6434.27	9959.97
Virgin Is-British	(US $)	1.6052	1	0.5503	0.8516
Virgin Is-US	(US $)	1.6052	1	0.5503	0.8516
Western Samoa	(Tala)	4.1673	2.5961	1.4286	2.2113
Yemen (Rep of)	(Rial)	208.676r	130.000	71.5347	110.733
Yugoslavia	(New Dinar)	9.1631	5.7084	3.1411	4.8624
Zambia	(Kwacha)	2132.51	1328.50	731.050	1131.80
Zimbabwe	($)	19.0136	11.8450	6.5181	10.0894
ECU	(ECU)	1.4830	0.9239	0.5084	0.7869
SDR	(SDR)	1.17958	0.740803	0.399182	0.629804

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2)Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Franc (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97: FT enquiries to Business Research Centre 0171 256 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.

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Friday, August 22, 1997

MARKETS: This Week

EMERGING MARKETS By Amy Louise Kazmin

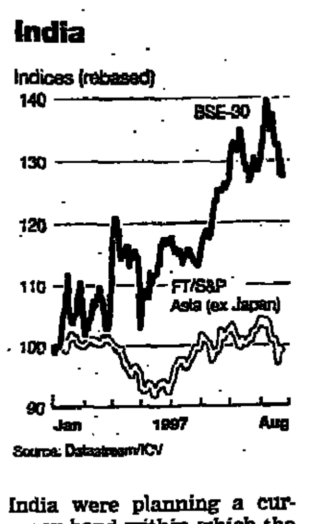
Indian bulls take a breather

After a bull run through the summer, the Bombay stock exchange seems to be heading for a period of volatility, as uncertainty over a rupee depreciation and a rise in the price of petroleum products dampen investors' enthusiasm.

However, with the beginnings of an economic recovery expected by the autumn, brokers are predicting that the market could resume its upward trend.

The BSE-30 index fell 155 to 4,165 last Monday, the first day of trading after the four-day Indian Independence Day holiday. The slide continued through the week on heavy profit-taking by FIIs (foreign institutional investors). On Friday, the BSE closed at 4,047, down 109 points on the week. Overall, the BSE has lost 12 per cent since August 5, when it reached a 34-month high of 4,548 points.

Brokers say the current downward pressure is being driven primarily by FIIs seeking to avoid an erosion of their profits by currency depreciation. The rupee began to slide on August 22, after I.K. Gujral, the prime minister, was quoted as saying that the finance ministry and the Reserve Bank of India were planning a currency band within which the rupee would be allowed to move freely. Although the RBI dismissed the report as "misleading," the rupee fell to Rs36.2 against the dollar last Thursday from Rs35.7 two days earlier.



Source: Datastream/ICV

Analysts believe the prime minister's comments were intended to induce a market-led rupee depreciation. "These people are talking down the rupee because there is tremendous pressure from the export lobby," said Vipul Dalal, of Bombay broker Alpic Securities.

But there is no consensus on the likely impact of a fall in the value of the rupee. While some economists say the rupee is overvalued by as much as 6 to 12 per cent, hampering India's export competitiveness, others fear a devaluation will fuel inflation and make India's import bill harder to bear.

Meanwhile, currency jitters were exacerbated by an announcement from the ruling United Front coalition's steering committee of its tacit assent to an increase in the price of petroleum products. The markets are believed to have already discounted the move, but uncertainty remained about whether it would be accompanied by structural reforms of the petroleum sector.

Until the currency situation and details of the petroleum price rise are clarified, heavy selling is expected to continue in the equity market, with the BSE possibly dipping to as low as 3,800.

However, brokers say the downward pressure will not last long, as FIIs are expected to re-enter the market and accumulate selective stocks at lower levels.

"It's a short-term over-reaction to everything," said Chetan Ahya, economist for Caspian Research India.

In the medium term, brokers still expect a general upward trend in the market, as an economic recovery begins by the late autumn. Growth in industrial production, after languishing at 2 to 3 per cent, is estimated to have picked up to 4-5 per cent in April and May.

Machine tool importers also say the acquisition of capital goods is slowly rising, an early sign of recovery, and new projects are getting off the ground.

India's monsoon has also been satisfactory. Although first-half corporate earnings are not expected to be impressive, they are likely to be stronger in the second half, as the impact of increased liquidity and a good monsoon translate into stronger growth.

Earnings per share may grow between 10 and 12 per cent, compared with 5 per cent last year. But political instability remains an unsettling factor.

The United Front coalition depends on the Congress Party to stay in power but the latter only supports the UF because it cannot move into the government and fears a battering if it decides to face the electorate.

Meanwhile, tensions and rivalries within the coalition are increasing, which could prompt either a realignment of forces or a political deadlock and a new election.

In spite of the government's apparent weakness, its collapse would be expected to cause an immediate downward correction.

The turmoil in south-east Asian markets is also adding to the uncertainty in Bombay, as FIIs, which have considered India a bargain trading at a prospective 1997 p/e of 14, reconsider whether Indian equities still represent a good deal.

"Over the last three to six months, India had been looking relatively attractive by comparison with other markets in the region," says one broker. Now, he says, FIIs are likely to re-evaluate their strategy. But brokers say any sudden downturn should be viewed as an opportunity to accumulate stocks in a market likely to perform well in the long-run.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	22/8/97	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (449)	181.94	-3.64	-1.95	-3.21	-1.74	+21.83	+13.63
Latin America							
Argentina (22)	140.70	+1.65	+1.18	+13.75	+10.83	+33.57	+31.33
Brazil (22)	368.84	-27.48	-6.93	-6.20	-1.65	+107.81	+41.30
Chile (21)	221.38	+0.54	+0.25	+7.31	+3.42	+58.93	+36.28
Colombia (12)	260.48	-0.24	-0.09	+22.95	+9.66	+86.79	+49.97
Mexico (26)	119.27	+0.80	+0.67	+10.39	+9.54	+37.59	+46.03
Peru (12)	1,246.80	-17.61	-1.39	+20.38	+1.66	+239.58	+23.79
Venezuela (7)	90.73	-0.78	-0.86	+0.87	+0.97	+28.55	+45.92
Latin America (122)	200.35	-5.87	-2.84	+6.61	+3.41	+56.85	+39.61
Europe							
Czech Rep.(18)	83.83	+0.69	+0.83	+8.95	+11.95	-20.45	-19.61
Egypt (16)	198.14	+5.57	+2.89	+11.30	+6.05	+48.35	+32.28
Greece (19)	172.62	-6.25	-3.49	+4.98	+2.97	+60.31	+53.70
Poland (28)	321.53	-1.36	-0.42	+38.76	+13.71	-22.22	-6.46
Portugal (18)	199.41	-2.94	-1.45	+4.25	+2.18	+53.23	+36.41
Russia (9)	476.90	-31.24	-6.15	+43.17	+9.95	+297.87	+166.38
South Africa (28)	138.82	-1.42	-1.02	-7.93	-5.40	+8.94	+6.88
Turkey (27)	163.54	-4.58	-2.73	-8.51	-4.95	+38.49	+30.78
Europe (163)	140.08	-2.88	-2.01	+0.45	+0.32	+21.74	+18.37
Asia							
China (33)	92.65	+5.07	+5.79	+21.87	+30.90	+36.17	+64.04
Indonesia (26)	116.37	+0.88	+0.76	-34.52	-22.88	-40.06	-25.61
Korea (27)	90.22	-2.56	-2.76	-0.85	-0.93	+9.01	+11.09
Malaysia (20)	181.21	+0.47	-0.26	-32.71	-15.29	-99.21	-35.38
Pakistan (12)	84.07	-7.34	-8.03	-11.86	-12.37	+25.61	+43.81
Philippines (22)	212.45	-3.40	-1.57	-30.53	-12.57	-101.35	-32.30
Taiwan (30)	238.53	+4.10	+1.75	-5.60	-2.29	+53.09	+28.83
Thailand (28)	81.05	-17.04	-17.38	-24.78	-23.42	-74.11	-47.77
Asia (198)	193.74	-1.48	-0.76	-19.10	-8.98	-23.83	-10.95

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS

Summer sees no let up for Treasuries

Remember when summer brought a welcome respite to financial markets? It really wasn't all that long ago when trading in US stocks and bonds took a breather for at least a few weeks during the hazy days of July and August. Instead, volatility in the Wall Street equity markets has continued non-stop, with Treasury trading only slightly calmer.

Analysts say the last two years have seen a sharp increase in summer Treasury volume. According to GovPx, the New York-based Treasury data service, the average daily trading volume of five of the six largest Treasury brokers is at $79bn so far this in August, compared with an August average of $72bn in 1996 and $65bn in August of 1995. Analysts confirm that intraday swings in bond prices have increased as well.

The increase in activity is one of several factors setting the current Treasury market apart from previous years. Perhaps the most obvious is the fact that the supply of new Treasury issues has moved sharply lower. The expanding US economy has led to a shrinkage in borrowing needs and smaller Treasury issues.

"The deficit dropped so rapidly this spring that we had a severe squeeze in the Treasury bill sector," said Louis Crandall, chief economist at R.H. Wrightson & Associates, a bond market research firm in New York.

Although securities of nearly all maturities have been reduced, the most dramatic impact has been among three-month and six-month bills, which the Treasury uses to adjust to changes in cash-flow.

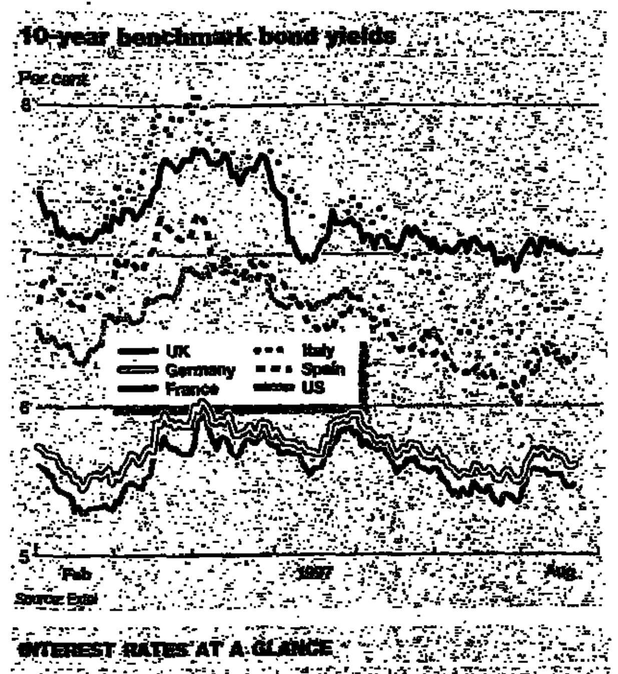
Longer-term issues, ranging from two-year to 30-year maturities, have fallen to an annualised $466bn from a peak of $545bn during the last 12 months, according to the Treasury Department.

How prices and yields will respond to shrinking supply is less clear, however, given the competition from other investment sectors and demand factors.

"The declining Treasury borrowing requirement has been driven by economic growth well above expectations, and that's fuelled private sector borrowing needs as well," adds Mr Crandall. Traders and analysts believe Treasury demand is being partially offset by increasing buying of corporate bonds and equities.

The downward pressure on supply has coupled with demand factors to force bond prices up in general, leading to lower Treasury bond yields compared with those available earlier in the year. But even within a fairly narrow trading range, recent intraday movements have been considerable.

Early in 1997 prices of the 30-year Treasury bond moved lower on the belief that the strong economy would force the Federal Reserve to raise interest rates. When the Fed made its move in late March, the long bond yield surged to 7 per cent as prices were driven lower and remained high on fears that the Fed would raise rates again.



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10	6.25	6.75
Overnight	n/a	n/a	3.05	3.19	6.88	n/a
Three month	5.23	0.48	3.23	3.29	6.89	7.12
One year	5.64	0.48	3.57	3.56	6.48	7.15
Five year	6.21	1.33	4.94	4.89	6.26	7.07
Ten year	6.36	2.28	5.71	5.62	6.63	7.12

(1) France intervention rate. (2) UK Base rate. Source: Reuters

The second helping of higher rates by the Federal Reserve has not come yet. Since March, Treasuries have steadily adjusted to what traders refer to as the "new paradigm" of the economy – a combination of steady economic growth and low inflation.

Few had expected economic growth to proceed so far into 1997 with no inflationary rise, so every bump in the road is scrutinised for evidence that the end is around the corner.

By late July higher long bond prices sent yields sharply lower, reaching a yield below 6.3 per cent briefly before currency and other concerns sent prices lower in recent weeks.

In spite of the FOMC decision last Tuesday not to raise rates, the Treasury market remains nervous. The long bond yield moved higher last week on concerns ranging from the falling value of the dollar to the release of a lower than anticipated US trade deficit.

Meanwhile, the latest inflation reports continue to surprise and relieve analysts. Recent producer price data have convinced economists that inflation has not been seen yet at the wholesale level and consumer price index figures have confirmed that consumer inflation remains low. Retail sales have risen, but not dramatically, and the unemployment rate has fallen below what was once considered the "natural rate," at 4.8 per cent, without triggering a sharp rise in inflation.

The next FOMC meeting is in late September. With analysts divided on whether the Fed will raise rates again this year and the "summer holiday" coming to an end, it is unlikely the market will settle down soon.

John Labate

Tough week ahead in prospect

Bond markets face one of their toughest weeks for some time after Friday's sharp bout of volatility sparked by nervousness about inflation and interest rate developments in the US and Germany.

Analysts are now asking whether this latest wobble is a storm in a teacup or the beginning of a bear market in global bonds.

"Monday's frame of mind in the US and Europe is going to be one of immense nervousness as to whether there is a turn in the bond markets' direction," said Mark Fox, chief European strategist at Lehman Brothers in London.

That nervousness may be compounded by a relatively quiet week for market-sensitive data. So developments on the foreign exchange markets will be crucial for bonds. A renewal of the dollar's surge against the D-mark will add further weight to the argument that the Bundesbank may decide to move on the interest rate front to prevent an excessively sharp slide in the German currency.

Arguably, the Bundesbank is winning the battle of nerves about the D-mark in any case. The currency enjoyed a modest rally on Friday, despite the slide in bunds, and officials have sown enough confusion to leave everyone guessing, which is every central banker's favoured policy.

"The Bundesbank has won the early battle in terms of changing the psychology of the markets. They haven't done anything but they have achieved a substantial amount – including stabilising the D-mark," said Graham McDevitt, head of global bond strategy at Paribas in London.

The September bund futures contract closed on Friday at 102.00, and Mr McDevitt sees "very big support" at the 101.50 level, which is likely to be tested this week.

Vincent Boland

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Sakura Capital Funding(a)‡	600	undated	(a1)	100.00R	-	-	Merrill/Sakura Finance
Cregem Finance	100	Oct 2001	6.25	100.12R	6.215	+17(6%-Aug00)	BIL
Pactual Overseas Corp	50	Sep 2002	9.125#	98.744R	9.191	+310(6Jul02)	Crdt Lyonnais, London
Kingdom of Denmark	500	Sep 2004	6.25	99.092R	6.415	+20(Wi 5yr)	HSBC Markets
Province of Mendoza	250	Sep 2007	10.00#	98.317R	10.11	+375(6⅝%-07)	Bank of Boston/CSFB
CLFT 1, Class A(g)‡	420	Aug 2005	(g1,s)	99.90332R	-	-	Lehman Brothers
D-MARKS							
Den Norske Bank‡	1bn	Sep 2000	(b)	99.97R	-	-	UBS Germany
Union Bank of Norway	250	Sep 2004	5.375	99.57R	5.451	+21(6¾Jul04)	Bayerische Landesbank
YEN							
Mardon Underwriting(f)★‡	65bn	Jun 2004	(f1,s)	100.00	-	-	Sanwa International
FRENCH FRANCS							
DSL Finance	2bn	Sep 2009	5.75	99.493R	5.811	+13(i)	Crdt Agricole/Deutsche
SWISS FRANCS							
Statoil	200	Sep 2002	2.00	98.15	2.397	-	SBC Warburg
AUSTRALIAN DOLLARS							
Federal National Mtg Assoc	1bn	Sep 2000	5.75#	99.986R	5.755	+12(13Jul00)	Merrill/SBC Warburg
ANZ Banking Group(j)	100	Dec 2001	6.00	100.515	-	-	TD Securities
LUXEMBOURG FRANCS							
Cregem International Bank(s)	2bn	Apr 2004	5.25	102.45	4.81	-	BIL

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
ECU							
Bayerische Vereinsbank(c,s)	50	Dec 2003	5.375	99.835R	5.403	+9(8%-03)	Morgan Stanley DW
CANADIAN DOLLARS							
Bayerische Landesbank	100	Sep 2003	5.25	98.21R	5.610	+20(5½Sep02)	TD Securities
NEW ZEALAND DOLLARS							
Ford Motor Credit Co	100	Sep 2000	7.50	100.61	7.265	-	Hambros Bank
ESCUDOS							
Inter-American Dev Bank‡	10bn	Sep 2007	(e)	100.00	-	-	BSN Portugal
SWEDISH KRONOR							
Finnish Export Credit(j)	500	Dec 2002	6.00	101.745	5.60	-	SHB
DRACHMA							
Bayerische Hypo‡	10bn	Sep 1999	(d)	100.00R	-	-	Morgan Stanley DW

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ♦With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Callable from Sep 02 at par, a1) 3-mth Libor +80bp to Sep 02, then +240bp. b) 3-mth Libor flat. c) Fungible with Ecu100m. Plus 190 days accrued. Spread relates to French govt Ecu OAT. d) 3-mth Athibor -75bp. e) 6-mth Lisbor +20bp when Lisbor is less than 8%; otherwise 16.2% - 6-mth Lisbor, minimum 4%. f) Callable annually from 12/6/99 at par. f1) 3-mth Libor -10bp. g) Commercial Loan Funding Trust. Average life: 3.4 yrs. g1) 3-mth Libor +20bp. g2) Class C: $58m, Aug 04, 6.4 yrs, 3-mth Libor +80bp, parR. g2) Class B, D1 & D2 totalling approx $385m were privately placed. i) Over interpolated yield. j) Long 1st coupon. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

NOTICE TO THE BONDHOLDERS OF INTERFINANCE CREDIT NATIONAL N.V.
FRF 500,000,000 Bonds due 2001 with OROC

Pursuant to the partial business transfer agreement (the «Transfer agreement») dated April 7, 1997, and further to the approval of the shareholders of Crédit National and BFCE in general extraordinary meetings which took place on June 23, 1997, Crédit National has transferred, with effect from January 1st, 1997, all its commercial banking activities to BFCE (such transfer process, the «Transfer»).

As a result of the Transfer, Crédit National became, under the name of NATEXIS S.A., the holding company of the Crédit National / BFCE group of companies (the «Group»), now known as Natexis Group and BFCE, its main banking subsidiary, changed its name into NATEXIS BANQUE.

Another result of the Transfer is that Interfinance Crédit National N.V. changed its name into INTERFINANCE NATEXIS N.V., after the approval by the extraordinary meeting of shareholders which took place on July 8, 1997.

Interfinance Natexis N.V. remains a 100 per cent held subsidiary of Natexis S.A. (ex Crédit National). The guaranty granted by it for all the outstanding loan debt of Interfinance Natexis as of the date of the Transfer, including the FRF 500,000,000 Bonds due 2001 with OROC, has been transferred to Natexis Banque and remains in full force. In accordance with the terms of the Transfer agreement, Natexis S.A. (ex Crédit National) is jointly and severally liable for the commitments transferred to Natexis Banque, including the guaranty of the above referred Bond issue.

The bonds will be neither stamped nor exchanged and will be listed on the Luxembourg Stock Exchange under the new name of Interfinance Natexis N.V.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST S.A. - LUXEMBOURG

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.5258	-0.0462	151 - 364	20.5779	20.3302	20.4714	3.2	20.3587	3.3	19.8532	3.3	102.1
Belgium	(BFr)	60.2608	-0.1457	019 - 197	60.5380	59.6680	60.0808	3.6	59.7108	3.7	57.9608	3.8	101.5
Denmark	(DKr)	11.1310	-0.0145	259 - 360	11.1370	11.0161	11.0995	3.4	11.0355	3.4	10.744	3.5	103.8
Finland	(FM)	8.7275	+0.0033	207 - 342	8.7630	8.6420	8.7021	3.5	8.6498	3.6	8.437	3.3	81.1
France	(FFr)	9.8282	-0.0279	243 - 320	9.8486	9.7396	9.7952	4.0	9.7382	3.7	9.4627	3.7	104.2
Germany	(DM)	2.9171	-0.0086	157 - 184	2.9245	2.8877	2.9078	3.8	2.8887	3.9	2.8018	4.0	102.3
Greece	(Dr)	458.333	-0.376	110 - 556	459.278	453.858	460.116	-4.7	462.74	-3.8	471.108	-2.8	65.1
Ireland	(I£)	1.0905	-0.0042	894 - 916	1.0968	1.0845	1.09	0.8	1.0886	0.7	1.0777	1.2	99.7
Italy	(L)	2847.22	-3.63	594 - 851	2850.93	2820.67	2847.3	0.0	2847.28	0.0	2844.66	0.1	75.9
Luxembourg	(LFr)	60.2608	-0.1457	019 - 197	60.5380	59.6680	60.0808	3.6	59.7108	3.7	57.9608	3.8	101.5
Netherlands	(Fl)	3.2840	-0.0087	826 - 854	3.2962	3.2521	3.2738	3.7	3.2529	3.8	3.1569	3.9	100.9
Norway	(NKr)	12.1816	-0.0089	729 - 902	12.2502	12.0114	12.1491	3.2	12.0881	3.1	11.8191	3.0	95.7
Portugal	(Es)	295.919	-0.411	746 - 091	296.403	293.437	295.763	0.6	295.233	0.9	291.145	1.6	92.1
Spain	(Pta)	247.169	-0.008	012 - 326	247.070	244.270	246.854	1.5	246.104	1.7	241.734	2.2	76.5
Sweden	(SKr)	12.7707	+0.0576	607 - 807	12.7876	12.6188	12.7432	2.6	12.6847	2.7	12.4282	2.7	84.8
Switzerland	(SFr)	2.4067	+0.0005	051 - 082	2.4133	2.3855	2.3958	5.5	2.3732	5.6	2.2729	5.6	105.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.7
Ecu	-	1.4830	-0.003	819 - 841	1.4884	1.4708	1.4797	2.7	1.4726	2.8	1.4385	3.0	-
SDR†	-	1.179560	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6043	+0.0174	037 - 049	1.6081	1.5850	-	-	-	-	-	-	-
Brazil	(R$)	1.7520	+0.0247	512 - 528	1.7538	1.7304	-	-	-	-	-	-	-
Canada	(C$)	2.2379	+0.0239	368 - 390	2.2413	2.2093	2.231	3.7	2.2174	3.7	2.1665	3.2	84.2
Mexico	(New Peso)	12.5005	+0.1579	926 - 084	12.6552	12.3503	-	-	-	-	-	-	-
USA	($)	1.6052	+0.018	047 - 057	1.6084	1.5853	1.6031	1.6	1.5991	1.5	1.5831	1.4	105.5
Pacific/Middle East/Africa													
Australia	(A$)	2.1486	+0.0225	445 - 487	2.1514	2.1180	2.1429	2.0	2.1345	2.2	2.0976	2.3	94.1
Hong Kong	(HK$)	12.4309	+0.1404	262 - 355	12.4543	12.2765	12.4299	0.1	12.4234	0.2	12.3684	0.5	-
India	(Rs)	58.0502	+0.5638	618 - 585	58.0530	57.2830	58.2554	-4.0	58.856	-4.1	60.3357	-3.9	-
Israel	(Shk)	5.6617	+0.0505	522 - 712	5.6847	5.6824	-	-	-	-	-	-	-
Japan	(Y)	188.451	+1.82	312 - 590	188.770	185.370	187.431	6.5	185.406	6.5	176.421	6.4	132.2
Malaysia	(M$)	4.4536	+0.0713	482 - 590	4.4633	4.3653	4.4578	-1.1	4.4658	-1.1	4.4845	-0.7	-
New Zealand	(NZ$)	2.4851	+0.0061	833 - 868	2.4971	2.4674	2.4883	-1.5	2.4921	-1.1	2.4927	-0.3	108.1
Philippines	(Peso)	47.8511	+0.3938	917 - 104	48.3517	47.6086	48.011	-4.0	48.2604	-3.4	49.3174	-3.1	-
Saudi Arabia	(SR)	6.0206	+0.0674	186 - 225	6.0325	5.9465	6.0171	0.7	6.0087	0.8	5.9722	0.8	-
Singapore	(S$)	2.3966	+0.019	950 - 981	2.4044	2.3772	2.392	2.3	2.3819	2.5	2.3337	2.6	-
South Africa	(R)	7.5349	+0.0123	301 - 396	7.5545	7.4525	7.5957	-9.7	7.7135	-9.5	8.1505	-8.2	-
South Korea	(Won)	1444.68	+18.03	102 - 834	1444.34	1426.23	-	-	-	-	-	-	-
Taiwan	(T$)	46.1110	+0.5187	950 - 269	46.0807	45.5393	46.0944	0.4	46.0546	0.5	45.8569	0.6	-
Thailand	(Bt)	54.3361	+2.435	586 - 135	54.7960	50.1970	54.6727	-7.4	55.1343	-5.9	56.1645	-3.4	-

† Rates for Aug 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.7871	-0.1741	844 - 897	12.9325	12.7120	12.7631	2.3	12.7141	2.3	12.4901	2.3	101.5
Belgium	(BFr)	37.5410	-0.5175	160 - 660	37.9420	37.3300	37.466	2.4	37.3145	2.4	36.621	2.5	101.3
Denmark	(DKr)	6.9349	-0.0878	333 - 353	7.0035	6.8841	6.9226	2.0	6.8983	2.1	6.7919	2.1	102.8
Finland	(FM)	5.4370	-0.0596	345 - 395	5.5097	5.4025	5.4255	2.5	5.4019	2.6	5.306	2.4	80.3
France	(FFr)	6.1227	-0.0871	222 - 232	6.1945	6.0850	6.1112	2.3	6.0873	2.3	5.9785	2.4	103.2
Germany	(DM)	1.8173	-0.0247	170 - 175	1.8381	1.8060	1.8135	2.5	1.8056	2.6	1.7707	2.6	101.5
Greece	(Dr)	285.530	-3.475	480 - 580	288.660	283.960	286.825	-5.4	288.88	-4.7	296.03	-3.7	64.8
Ireland	(I£)	1.4720	+0.022	710 - 730	1.4806	1.4475	1.4712	0.6	1.4703	0.5	1.4707	0.1	-
Italy	(L)	1773.75	-22.4	350 - 400	1792.53	1782.00	1775.52	-1.2	1778.53	-1.1	1781.95	-0.5	75.5
Luxembourg	(LFr)	37.5410	-0.5175	160 - 660	37.9420	37.3300	37.466	2.4	37.3145	2.4	36.621	2.5	101.3
Netherlands	(Fl)	2.0459	-0.0286	456 - 461	2.0728	2.0335	2.0417	2.5	2.0332	2.5	1.9954	2.6	100.6
Norway	(NKr)	7.5888	-0.0917	858 - 918	7.7016	7.5095	7.5743	2.3	7.5459	2.3	7.4342	2.0	94.7
Portugal	(Es)	184.350	-2.35	300 - 400	186.100	183.420	184.314	0.2	184.26	0.2	183.09	0.7	92.4
Spain	(Pta)	153.980	-1.75	930 - 030	155.150	152.800	153.935	0.4	153.76	0.6	152.585	0.9	75.9
Sweden	(SKr)	7.9559	-0.0539	521 - 596	8.0080	7.8942	7.9468	1.4	7.9275	1.4	7.8535	1.3	84.6
Switzerland	(SFr)	1.4993	-0.0167	988 - 998	1.5138	1.4900	1.494	4.3	1.4833	4.3	1.4378	4.1	105.0
UK	(£)	1.6052	+0.018	047 - 057	1.6084	1.5853	1.6031	1.6	1.5991	1.5	1.5831	1.4	101.4
Ecu	-	1.0824	+0.0142	819 - 829	1.0870	1.0706	1.0838	-1.6	1.0871	-1.7	1.1026	-1.9	-
SDR†	-	0.740603	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0003	994 - 995	0.9995	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	1.0915	+0.0032	913 - 916	1.0920	1.0900	-	-	-	-	-	-	-
Canada	(C$)	1.3942	-0.0007	939 - 944	1.3965	1.3923	1.3911	2.7	1.3854	2.5	1.3648	2.1	84.2
Mexico	(New Peso)	7.7875	+0.0175	850 - 900	7.7900	7.7850	7.896	-16.7	8.107	-16.4	9.0175	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3373	-0.0009	364 - 382	1.3382	1.3360	1.3367	0.5	1.3349	0.7	1.3265	0.8	96.4
Hong Kong	(HK$)	7.7441	+0.0006	436 - 446	7.7447	7.7405	7.7447	-0.1	7.7455	-0.1	7.7478	0.0	-
India	(Rs)	36.1700	-0.055	200 - 200	36.5000	36.1000	36.3075	-4.6	36.5925	-4.7	37.805	-4.5	-
Israel	(Shk)	3.5271	-0.0082	223 - 319	3.5401	3.5220	-	-	-	-	-	-	-
Japan	(Y)	117.400	-0.185	350 - 450	117.650	116.100	116.885	5.3	115.885	5.2	111.585	5.0	133.6
Malaysia	(M$)	2.7745	+0.0135	720 - 770	2.7800	2.7460	2.779	-1.9	2.788	-1.9	2.818	-1.6	-
New Zealand	(NZ$)	1.5481	-0.0138	475 - 487	1.5564	1.5475	1.5489	-0.6	1.5513	-0.8	1.5614	-0.9	-
Philippines	(Peso)	29.8100	-0.09	200 - 000	30.5000	29.6000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-	506 - 507	3.7508	3.7505	3.7514	-0.2	3.7524	-0.2	3.7571	-0.2	-
Singapore	(S$)	1.4930	-0.005	925 - 935	1.5063	1.4920	1.4913	1.4	1.4875	1.5	1.468	1.7	-
South Africa	(R)	4.6940	-0.0455	925 - 955	4.7480	4.6880	4.7345	-10.4	4.814	-10.2	5.1165	-9.0	-
South Korea	(Won)	900.000	+1.15	000 - 000	902.200	898.800	-	-	-	-	-	-	-
Taiwan	(T$)	28.7260	+0.001	250 - 270	28.7270	28.7200	28.737	-0.5	28.746	-0.3	28.8385	-0.4	-
Thailand	(Bt)	33.8500	+1.15	500 - 500	34.8000	31.6000	34.295	-15.8	35	-13.6	36.23	-7.0	-

† SDR rate per $ for Aug 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 21: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 5/16	3 3/8	3 7/16	3 17/32	3 23/32	6.00	2.50	-
week ago	3 5/16	3 11/32	3 3/8	3 7/16	3 21/32	6.00	2.50	-
France	3 1/8	3 3/8	3 7/16	3 17/32	3 23/32	3.10	-	4.75
week ago	3 1/8	3 3/8	3 7/16	3 1/2	3 11/16	3.10	-	4.75
Germany	3 1/8	3 1/4	3 1/4	3 5/16	3 9/16	4.50	2.50	3.00
week ago	3	3 1/4	3 1/4	3 5/16	3 1/2	4.50	2.50	3.00
Ireland	6 1/8	6 1/4	6 1/4	6 1/4	6 1/8	-	-	6.75
week ago	6	6 1/4	6 1/4	6 1/4	6 1/8	-	-	6.75
Italy	6 3/4	6 5/8	6 9/16	6 17/32	6 1/2	7.75	6.25	6.17
week ago	6 3/4	6 21/32	6 19/32	6 9/16	6 15/32	7.75	6.25	6.27
Netherlands	3 1/4	3 1/4	3 7/16	3 17/32	3 23/32	-	2.50	3.00
week ago	3 1/8	3 1/4	3 5/16	3 13/32	3 19/32	-	2.50	3.00
Switzerland	7/8	1 13/32	1 13/32	1 13/32	1 13/32	-	1.00	-
week ago	3/4	1 13/32	1 7/16	1 15/32	1 17/32	-	1.00	-
US	5 3/4	5 1/2	5 5/8	5 25/32	6	-	5.00	-
week ago	5 5/8	5 1/2	5 21/32	5 3/4	5 31/32	-	5.00	-
Japan	1/2	15/32	1/2	1/2	5/8	-	0.50	-
week ago	13/32	15/32	1/2	9/16	17/32	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	5 5/8	5 25/32	5 27/32	6 1/32	-	-	-
week ago	-	5 5/8	5 3/4	5 27/32	6 1/16	-	-	-
US Dollar CDs	-	5.43	5.46	5.53	5.67	-	-	-
week ago	-	5.43	5.46	5.54	5.72	-	-	-
ECU Linked Ds	-	4 3/8	4 1/4	4 11/32	4 13/32	-	-	-
week ago	-	4 5/16	4 3/8	4 11/32	4 13/32	-	-	-
SDR Linked Ds	-	3 17/32	3 5/8	3 23/32	3 7/8	-	-	-
week ago	-	3 17/32	3 5/8	3 23/32	3 27/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/2 - 3 3/16	3 1/2 - 3 13/32	3 5/8 - 3 1/2	3 11/16 - 3 19/32	3 3/4 - 3 5/8	3 7/8 - 3 25/32
Danish Krone	3 3/4 - 3 21/32	3 19/32 - 3 7/16	3 9/16 - 3 17/32	3 23/32 - 3 17/32	3 7/8 - 3 23/32	4 1/8 - 3 15/16
German Mark	3 1/8 - 2 15/16	3 1/8 - 3 1/4	3 7/32 - 3 3/32	3 5/16 - 3 3/16	3 7/16 - 3 11/32	3 23/32 - 3 17/32
Dutch Guilder	3 1/4 - 3 1/8	3 3/8 - 3 1/16	3 11/32 - 3 7/32	3 15/32 - 3 11/32	3 5/8 - 3 1/2	3 3/4 - 3 21/32
French Franc	3 1/4 - 3 1/8	3 11/32 - 3 7/32	3 11/32 - 3 7/32	3 15/32 - 3 3/8	3 17/32 - 3 7/16	3 23/32 - 3 5/8
Portuguese Esc.	5 13/32 - 5 11/32	5 1/2 - 5 13/32	5 1/2 - 5 13/32	5 1/2 - 5 7/16	5 7/16 - 5 3/8	5 11/32 - 5 9/32
Spanish Peseta	5 15/32 - 5 7/32	5 7/16 - 5 11/32	5 7/16 - 5 11/32	5 3/8 - 5 1/4	5 9/32 - 5 1/8	5 3/16 - 5 1/16
Sterling	7 1/8 - 7	7 1/8 - 7	7 5/32 - 7 1/32	7 7/32 - 7 3/32	7 3/8 - 7 1/4	7 19/32 - 7 15/32
Swiss Franc	1 - 3/4	1 7/16 - 1 5/16	1 15/32 - 1 11/32	1 17/32 - 1 13/32	1 11/16 - 1 9/16	1 27/32 - 1 23/32
Canadian Dollar	3 5/16 - 3 1/8	3 5/16 - 3 3/16	3 7/16 - 3 5/16	3 21/32 - 3 17/32	3 7/8 - 3 3/4	4 3/8 - 4 1/4
US Dollar	5 19/32 - 5 15/32	5 5/8 - 5 1/2	5 9/16 - 5 7/16	5 11/16 - 5 9/16	5 3/4 - 5 5/8	6 1/32 - 5 29/32
Italian Lira	7 13/32 - 6 13/32	6 7/8 - 6 3/4	6 7/8 - 6 25/32	6 7/8 - 6 25/32	6 3/4 - 6 21/32	6 19/32 - 6 3/8
Japanese Yen	17/32 - 1/2	17/32 - 1/2	17/32 - 7/16	17/32 - 7/16	19/32 - 9/16	5/8 - 1/2
Asian $Sing	3 - 2 7/8	3 7/8 - 3 3/4	3 11/16 - 3 9/16	4 - 3 7/8	3 15/16 - 3 13/16	4 1/8 - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.28	94.26	+1.70	94.28	94.25	31,473	485,069
Dec	94.09	94.09	-0.10	94.12	94.05	61,154	484,932
Mar	94.02	94.00	-0.14	94.03	93.97	91,257	343,900

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.91	94.92	-	94.94	94.91	185	7,280
Dec	94.76	94.81	+0.02	94.84	94.76	51	2,180
Mar	-	94.75	+0.02	94.75	-	26	1,031

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.31	4.841	1.810	4725	5.450	20.21	491.1	410.2	21.19	3.994	1.659	3.714	2.664	312.7	2.461
Denmark	(DKr)	54.14	10	8.830	2.621	0.980	2558	2.950	10.94	265.9	222.1	11.47	2.162	0.898	2.011	1.442	169.3	1.332
France	(FFr)	61.31	11.33	10	2.968	1.110	2897	3.342	12.39	301.1	251.5	12.99	2.449	1.017	2.277	1.633	191.7	1.509
Germany	(DM)	20.66	3.816	3.369	1	0.374	976.0	1.126	4.176	101.4	84.73	4.378	0.825	0.343	0.767	0.550	64.60	0.508
Ireland	(I£)	55.26	10.21	9.013	2.675	1	2611	3.012	11.17	271.4	226.7	11.71	2.207	0.917	2.052	1.472	172.8	1.360
Italy	(L)	2.116	0.391	0.345	0.102	0.038	100	0.115	0.428	10.39	8.681	0.449	0.085	0.035	0.079	0.056	6.619	0.052
Netherlands	(Fl)	18.35	3.389	2.993	0.888	0.332	867.0	1	3.709	90.11	75.26	3.889	0.733	0.305	0.681	0.489	57.38	0.452
Norway	(NKr)	49.47	9.138	8.068	2.395	0.895	2337	2.696	10	242.9	202.9	10.48	1.976	0.821	1.837	1.318	154.7	1.217
Portugal	(Es)	20.36	3.761	3.321	0.986	0.369	962.2	1.110	4.117	100	83.53	4.316	0.813	0.338	0.756	0.542	63.68	0.501
Spain	(Pta)	24.38	4.503	3.976	1.180	0.441	1152	1.329	4.928	119.7	100	5.167	0.974	0.405	0.905	0.649	76.24	0.600
Sweden	(SKr)	47.19	8.716	7.696	2.284	0.854	2229	2.572	9.539	231.7	193.5	10	1.885	0.783	1.752	1.257	147.6	1.161
Switzerland	(SFr)	25.04	4.625	4.084	1.212	0.453	1183	1.365	5.062	123.0	102.7	5.306	1	0.416	0.930	0.667	78.30	0.616
UK	(£)	60.26	11.13	9.828	2.917	1.090	2847	3.284	12.18	295.9	247.2	12.77	2.407	1	2.238	1.605	188.5	1.483
Canada	(C$)	26.93	4.974	4.392	1.303	0.487	1272	1.467	5.443	132.2	110.4	5.708	1.075	0.447	1	0.717	84.21	0.663
USA	($)	37.54	6.934	6.123	1.817	0.679	1774	2.046	7.589	184.4	154.0	7.956	1.499	0.623	1.394	1	117.4	0.924
Japan	(Y)	31.98	5.907	5.215	1.548	0.579	1511	1.743	6.464	157.0	131.2	6.777	1.277	0.531	1.188	0.852	100	0.787
Ecu	-	40.63	7.506	6.627	1.967	0.735	1920	2.214	8.214	199.5	166.7	8.611	1.623	0.674	1.509	1.082	127.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.5449	0.5520	+0.0073	0.5545	0.5449	36,758	100,732
Dec	0.5556	0.5552	+0.0074	0.5575	0.5527	336	4,790
Mar	0.5585	0.5583	+0.0074	0.5585	0.5585	2	1,376

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6628	0.6692	+0.0072	0.6735	0.6620	8,883	52,678
Dec	0.6765	0.6760	+0.0071	0.6805	0.6740	137	2,555
Mar	0.6855	0.6826	+0.007	0.6855	0.6830	1	1,058

JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.8562	0.8481	-0.0079	0.8648	0.8479	13,670	77,001
Dec	0.8677	0.8593	-0.0079	0.8760	0.8588	160	2,416
Mar	-	0.8709	-0.0079	-	-	13	538

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.5900	1.6084	+0.0168	1.6148	1.5840	9,645	50,761
Dec	1.5920	1.6026	+0.0164	1.6072	1.5900	69	1,189
Mar	-	1.5960	+0.0162	1.6020	-	6	208

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.600	1.92	2.63	3.32	1.07	2.00	2.85
1.610	1.38	2.17	2.83	1.65	2.51	3.36
1.620	0.96	1.74	2.45	2.12	3.02	3.94

Previous day's vol., Calls 338 Puts 145. Prev. day's open int., Calls 36,031 Puts 37,537

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
0.535	1.82	2.10	-	0.13	0.30	0.47
0.540	1.43	1.73	-	0.21	0.42	0.62
0.545	1.06	1.40	1.70	0.34	0.58	0.79

Previous day's vol., Calls 488 Puts 571. Prev. day's open int., Calls 20,101 Puts 16,222

UK INTEREST RATES

LONDON MONEY RATES

Aug 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/4 - 6 3/4	7 3/16 - 7	7 3/16 - 7 1/32	7 5/16 - 7 3/16	7 3/8 - 7 1/4	7 9/16 - 7 7/16
Sterling CDs	-	-	7 1/8 - 7 1/16	7 5/16 - 7 1/8	7 9/32 - 7 7/32	7 7/16 - 7 3/8
Treasury Bills	-	-	6 15/16 - 6 13/16	7 - 6 7/8	-	-
Bank Bills	-	-	6 13/16 - 6 13/16	6 31/32 - 6 27/32	7 3/16 - 7 1/16	-
Local authority deps.	7 - 6 3/4	7 - 6 3/4	7 3/32 - 7 1/32	7 5/32 - 7 1/32	7 9/32 - 7 7/32	7 7/16 - 7 3/8
Discount Market deps	7 - 6 7/8	6 7/8 - 6 3/4	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Aug 22, 6.8277pc. ECGD fixed rate Stg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 22	Aug 15		Aug 22	Aug 15
Bills on offer	£200m	£200m	Top accepted rate	6.8387%	6.7986%
Total of applications	£775m	£1126m	Ave. rate of discount	6.8277%	6.7810%
Total allocated	£200m	£200m	Average yield	6.9459%	6.8696%
Min. accepted bid	£98.295	£98.305	Offer at next tender	£200m	£200m
Allotment at min. level	90%	63%	Min. accept. bid 92 days	-	-

Pound in New York

Aug 22	-- Close --	-- Prev. close --
£ spot	1.6105	1.5920
1 mth	1.6084	1.5898
3 mth	1.6043	1.5860
1 yr	1.5881	1.5696

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	67.00	Unity Trust Bank Plc	7.00
Bank of India	6.75	Heritable & Gen Inv Bk.	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00	*. In administration	
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

OTHER STATISTICS

STOCK INDICES

	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE 100	4901.1	4978.0	4958.4	4914.2	4835.0	5088.8	4056.6	5088.8	986.9
FTSE 250	4658.7	4688.0	4687.4	4680.8	4664.0	4729.4	4386.2	4729.4	1379.4
FTSE 250 ex IT	4668.8	4693.6	4694.5	4690.4	4673.1	4773.8	4380.7	4773.8	1378.3
FTSE 350	2385.8	2398.7	2391.0	2373.1	2340.6	2438.8	2017.9	2438.0	664.5
FTSE SmallCap	2253.44	2258.99	2250.93	2239.74	2228.63	2374.20	2178.29	2374.20	1363.79
FTSE SmallCap ex IT	2223.32	2224.73	2216.46	2208.54	2194.81	2382.38	2139.02	2382.38	1363.79
FTSE All-Share	2312.11	2342.50	2334.91	2317.83	2287.40	2378.39	1989.78	2378.39	61.92
FTSE Fledgling	1253.18	1255.54	1251.93	1247.48	1244.27	1348.52	1223.48	1348.52	31.14
FTSE Eurotrack 100	2625.10	2668.38	2677.21	2633.70	2576.75	2794.80	1893.80	2794.80	900.45
FTSE Eurotrack 200	2622.43	2681.20	2672.55	2633.24	2588.25	2785.37	1947.11	2785.37	938.62
FT 30	3143.1	3183.6	3187.2	3156.0	3124.8	3226.5	2762.5	3226.5	49.4
FT Govt Securities	96.58	96.91	97.03	96.97	96.98	97.88	93.31	127.40	49.18
FT Fixed Interest	125.94	126.12	126.10	126.27	126.02	128.68	113.85	133.87	50.53
FTSE Gold Mines	1451.28	1436.26	1424.19	1423.37	1439.15	2074.61	1270.14	2074.61	922.16

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
235	Nil	12/9	25pm	24pm	Dixon Motors	24pm	
21	Nil	22/8	2 1/2pm	1 3/4pm	Golden Land	2pm	
505	Nil	21/8	230pm	140pm	Logica	162 1/2pm	
255	Nil	11/8	5pm	2pm	Pendragon	2pm	

pm premium.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	398	Antofagasta Uts	401 1/2	-1	-	-	-	-
*	F.P.	7.94	80 1/2	70 1/2	†Blakes Clothing	79 1/2		L1.45	5.1	2.3	8.7
-	F.P.	84.8	109 3/4	101	Bristol & W Prf	108	-1	-	-	-	-
§100	F.P.	28.9	145	109 1/2	Cammell Laird	136		L3.8	2.1	3.5	13.1
	F.P.	-	116	114	EMI B	115		22.75	-	3.1	-
*	F.P.	9.92	117 1/2	117 1/2	Fairfield Ents	117 1/2		W2.0	7.9	2.1	7.4
§-	F.P.	7.24	65	55	†GR Holdings	55		-	-	-	43.6
§150	F.P.	249.8	206	182 1/2	Galen Hldgs	206	+8 1/2	L0.9	5.7	0.5	33.2
§125	F.P.	5.75	135	98	†Helicon Publsg	98		-	-	-	-
§	F.P.	533.0	395 1/2	355 1/2	Ionica	355 1/2	-11	-	-	-	-
§160	F.P.	17.0	175 1/2	172 1/2	†Kingfisher Leis	175 1/2		LW2.0	6.0	1.4	14.6
*	F.P.	-	79 1/2	76 1/2	†LEPCO	78 1/2		-	-	-	-
§90	F.P.	4.21	98	93	†Landround	94 1/2		3.3	1.7	4.4	18.8
§178	F.P.	43.3	217 1/2	185 1/2	Metroline	201 1/2	-3	R5.8	2.8	3.6	12.1
100	F.P.	32.7	112 1/2	99 1/2	Reabourne Merlin	108 1/2		-	-	-	-
§100	F.P.	7.77	120 1/2	105 1/2	†SBS Group	109 1/2		L2.4	2.0	2.7	19.3
-	F.P.	-	38 1/2	33	Severn Trent B	39 1/2		-	-	-	-
-	F.P.	-	54 1/2	42 1/2	†Stentor Warrants	53 1/2		-	-	-	-
	F.P.	-	22 3/4	19 1/2	Thorn B	20 1/2		-	-	-	-
-	F.P.	77.5	68 1/2	60	Vigien Tech	63 1/2		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

BANK RETURN

BANKING DEPARTMENT	Wednesday August 20, 1997	Increase or decrease for week
Liabilities	£	£
Capital	14,558,000	-
Public deposits	1,017,943,283	-216,371,282
Bankers deposits	2,553,329,007	-5,680,179
Reserve and other accounts	3,264,165,337	+179,460,634
	6,850,010,627	-42,590,827
Assets		
Government securities	1,390,056,305	+1,025,000
Advance and other accounts	4,994,859,548	+53,160,879
Premise, equipment and other secs	456,923,981	-95,242,937
Notes	8,042,437	-1,571,584
Coin	128,356	+37,795
	6,850,010,627	-42,590,827
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	22,301,957,563	+201,571,584
Notes in Banking Department	8,042,437	-1,571,584
	22,310,000,000	+200,000,000
Assets		
Other Government securities	14,173,820,832	-27,715,073
Other Securities	8,136,479,168	+227,715,073
	22,310,000,000	+200,000,000

FTSE GOLD MINES INDEX

[illegible]

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Allied Domecq	[illegible]	486½	-2.3	027.0	1.4	Feb Jul	19.5	1550
Bulmer (HP)	[illegible]	422½xd	0.4	14.52	2.5	Feb Sep	11.8	2085
Burn St Dist	[illegible]	41½	–	3.4	1.2	May Nov	7.4	1518
Glenmorangie A		975	1.3	13.2	3.1	Jan Jul	23.6	3257
B		1080	0.5	6.6	3.1	Jan Jul	23.6	–
Grand Met	[illegible]	580xd	-9	018.81	1.9	Apr Oct	21.7	2759
Guinness	[illegible]	568½	-2.7	16.1	2.2	May Nov	1.4	2791
Highland	[illegible]	325	-2	8.4	2.5	Jan Jun	6.5	2880
5 1/2pc Cnv Bds		88½	–	05½%	–	Jul Jan	7.7	–
Kirin Y		518½	1.8	034%	–	Sep Mar	25.12	1119
Matthew Clark	[illegible]	237xd	–	24.0	1.4	Apr Oct	4.8	2153
Merrydown	[illegible]	88xd	–	3.1	1.3	Jan Oct	21.7	3052
Seagram C$		£22½	1.5	098c	–	MrJeSeDe	28.11	–

BANKS, RETAIL

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£15	10.3	086%	2.2	May Sep	9.5	1010
ANZ A$		402¼	-2.5	042c	ф	Jan Jul	5.12	–
Abbey National	†	829½xd	3.9	27.6	2.2	May Oct	11.8	5411
Alliance & Leicester		639½	1.3	16.3	2.5	–	–	3608
Allied Irish I£	[illegible]	524½	-2.4	075%	2.5	Mar Sep	17.2	1354
Anglo Irish I£	†	87	-3.3	020%	2.3	Jan Jul	6.5	1355
Asahi Y		478	4.7	014%	–	Jun Dec	25.3	3049
Banco Bil Viz Pta		217	0.3	064%	–	JaApJyOc	10.4	–
Banco Sant Pta		£17¼	0.3	035%	2.3	JaApJyOc	30.4	–
BA Ireland I£		715	-2.1	022.2%	2.8	Jan Jul	11.7	1380
Bank Scotland	[illegible]	416½	1.2	8.22	4.0	Jan Nov	6.5	1742
9¼pc Pf		128½	–	9¼%	–	May Nov	6.5	1482
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

Royal Bk Canada C$	27⅞	-1.3	$1.48	FeMyAgNv	24.1	1180
Toronto-Dom C$	18⅛	-1.8	1.12c	JaApJyOc	18.12	1207
Trans Can Pipe C$ ♥	11⅞	-1.7	$1.16	JaApJyOc	26.6	-
Western Star Trucks C$	18⅜	—	-	-	-	-

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind R		£27⅝	....	Q855c	ϕ	May Oct	2.9	-
Barlow	‡†	67⅞	-4.8	Q108c	3.3	Jan Jul	9.12	-
Gold Flds Prop R	†	146	-24.0	Q85c	1.5	Feb Sep	2.98	-
SA Brews		£18⅞	-3.8	Q287c	ϕ	Jul Feb	2.6	4113
Standard Bank		2294	-.5	Q497c	ϕ	Sep Mar	3.3	-
Tiger Oats	†	1077	2.2	Q739½c	2.8	Jan Jul	9.6	-
Tongaat-Hulett		767	0.3	Q142c	ϕ	Jan Jul	17.6	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** Billiton (Ext Ind), Fairplace Consulting (AIM). **Deletions:** NYNEX (American), INVESCO Korea Tst Wrts (InTr), Tomorrows Leisure (LeH), Kendell (Prop), Brockbank (AIM).

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Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Fidelity Currency Funds Ltd					
Pembroke Hall, Pembroke, Bermuda					
UK Prcl Access 0800 414181 Jersey 01534 71696					
Private Clients 0800 414181 00 352 250404230					
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000					
A$ Accum		A$19.906		3.90	40907
C$ Accum		C$19.026		2.30	40841
DM Accum		DM38.945		2.00	41228
DFl Accum		Dfl32.141		2.10	40859
ECU Accum		Ecu13.827		3.00	41238
FFr Accum		FFr68.734		2.10	41262
HK$ Accum		HK$125.81		5.40	41316
Lire Accum		L74850		5.80	41380
NZ$ Accum		NZ$42.125		6.70	41544
£ Accum		£13.690		5.90	41546
SFr Accum		SFr29.488		0.06	41530
US$ Accum		$24.305		4.80	41575
Yen Accum		Y2882.6		0.10	41582
Prices for dealing August 22					
Jupiter Asset Management (Bermuda) Ltd					
PO Box HM1256, Hamilton, Bermuda 001 809 292 2760					
Jupiter Tyndall World Umbrella Fund Ltd					
Euroboad		$18.18	17.00	3.96	45673
Money		$14.49	15.23	3.7	45872
Mortgage		C$24.94	26.20	7.08	45875
North American		$18.94	17.80	0.00	45671
Overseas		$17.40	18.28	0.00	45876
Tiger		$16.73	17.56	0.00	45877
UK Small Cos		£1.43	1.51	0.00	58186
Newport Investment Management					
20 Reid St, PO Box HM 3306 Hamilton Bermuda					
UK: 0171 330 6085 Dealing: 01481 707080					
Npt. Pacific	5	$4.5828		-	45597
Npt Pacific		£2.8708		-	44855
Newport Tiger Fd		$8.0497		-	51387
Newport Tiger Fd		£4.3532		-	50728
Orion Fund Limited					
6 Front St., Hamilton, HM11, Bermuda HM 11441 292 6370					
Orion Aug 14		$33.20		-	40409

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Royal Bk of Canada O/S Fd Mgrs Ltd					
PO Box 246, St Peter Port, Guernsey 01481 723021					
Global Funds					
Contl Euro Class F	0	[illegible]	31.130	-	45686
Contl Euro Class Acc F	0	[illegible]	31.249	-	45808
Sterling Intl Cap Class F	0	£12.221	12.422	-	45812
Sterling Intl Cap Class Acc F	0	£12.336	12.528	-	45813
Intl Bond Class F	0	$13.112	13.189	-	45786
Intl Bond Class Acc F	0	$14.056	14.051	-	45730
Asian Growth Class F	0	$8.486	8.659	-	45804
Asian Growth Class Acc F	0	$8.511	8.682	-	45868
Japan Class F	0	[illegible]	468.080	-	45778
Japan Class Acc F	0	[illegible]	456.060	-	45811
Canadian Class F	0	C$30.287	30.637	-	45865
Canadian Class Acc F	0	C$30.25	30.637	-	45815
USA Class F	0	$44.078	44.458	-	45830
USA Class Acc F	0	$44.078	44.458	-	45835
Dollar Intl Cap Class F	0	$8.937	9.038	-	45809
Dollar Intl Cap Class Acc F	0	$8.965	9.067	-	45810
UK Equity Class F	0	£7.487	7.605	-	45814
UK Equity Class Acc F	0	£7.598	7.720	-	45820
North American Bond Cl Inc F	0	[illegible]	103.451	-	45768
North American Bond Cl Acc		[illegible]	107.550	-	45865
European Bond Cl Inc F	0	[illegible]	115.472	-	45830
European Bond Cl Acc F	0	[illegible]	120.443	-	45817
Swiss Franc Bond Cl Inc F	0	[illegible]	104.871	-	45785
Swiss Franc Bond Cl Acc F	0	[illegible]	107.282	-	45784
UK Bond Cl Inc F	0	[illegible]	0.5116	5.87	45888
UK Bond Cl Acc F	0	£0.5618	0.5626	0.00	45870
Latin America Inc F	0	$11.870	12.0630	-	-
Latin America Acc F	0	$11.870	12.0630	-	-
Intl Currencies Fd Ltd					
US$		$45.51		4.87	45707
Canadian $		C$67.54		2.81	45708
£ Sterling		£33.30		6.28	45709
D-Mark		DM95.83		2.93	45710
Swiss Franc		SFr65.82		0.35	45711
Japanese Yen		Y8649		0.33	45712
Managed Fund		$43.83		-	45713
Latest Fund Prices 24hr service 01481 718043					
Sarasin Funds Mngmt (Guernsey) Ltd					
PO Box 246, St Peter Port, Guernsey 01481 723021					
GlobalSar Dollar Accum	5	$39.54	41.65	-	44665
GlobalSar Dollar Dist	5	$35.43	37.30	2.17	44670
GlobalSar Stg Dist	5	£22.53	23.88	2.70	45631
GlobalSar Stg Accum	5	£27.73	29.40	-	44695
Equibar Inc F	5	£13.920	14.370	-	45804
Equibar Acc F	5	£13.540	14.400	-	45779
Schroder Investment Mngmt (Guernsey) Ltd					
PO Box 255, St Peter Port, Guernsey 01481 710851					
European Bd $	3	[illegible]	10.5819	5.68	44471
Agror Stg Equit	0	[illegible]	6.8611	-	47897
Offshore Cash		£1.0022171		6.68	-

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

هكذا من الأصل

[redacted]

Offshore Funds and Insurances

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American Phoenix Investment Portfolios (u)

Foreign & Colonial Portfolios Fd Sicav(z)

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

TCW Luxembourg Funds

Finance International Ltd

GT Global

HSBC Investment Funds Luxembourg SA (z)

Henderson Management SA (u)

Barclays Diversified Portfolio (z)

Bank Von Ernst & Cie AG

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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	Selling Price	Buying Price	Yield Gross	City-Line
PanEuroLife societe anonyme				
26 Av Marie-Therese, Luxembourg 00 352 456730				
French Balanced Aug 20	FFr8325.53		-	50225
German Balanced Aug 20	DM2808.16		-	50226
Global Equities Aug 20	$1817.34		-	50227
UK Secure Gth Aug 20	£828.84		-	50228
US Secure Growth Aug 20	$1463.87		-	53197
Intl Real Estate Aug 20	Ecu1846.43		-	50229
Fund of Funds Aug 20	Ecu1622.03		-	50230
	DM1056.50		-	
	LFr1065.11		-	
	$1056.89		-	
	FFr1056.89		-	
USD 2004	$541.22		-	
Premier Life				
1 Rue Emile Bian, Luxembourg Tlx 2908 Tel 4060751				
Davenport Chidwick £ Fd.	£1.38	1.50	-	45916
Matheson £ Pens	£1.12	1.19	-	45921
Matheson $ Pens	$1.06	1.12	-	45922
Argent Bond	£16.52	17.69	-	46311
Argent Equity Gth	£18.93	20.26	-	46312
	$2.60	2.70	-	46809
	$2.37	2.53	-	46808
OFS Aggressive $	$1.54	1.55	-	46813
OFS Mngd Growth $	$1.96	1.97	-	46812
OFS Dlr Balanced Port	$1.86	1.87	-	46810
CH 10	SFr1.91	2.05	-	47415
LA 10	$1.92	2.06	-	47416
Professional Investment Consultants				
Premier Lux $	$1.50	1.57	-	49431
Premier Lux £	£1.46	1.53	-	47957
PCI Worldwide Opps	£1.330	1.430	-	49432
SPILA Flexible Growth	$1.0500	1.1360	-	51574
Royal Life International				

	Selling Price	Buying Price	Yield Gross	City-Line
Arnhold and S. Bleichroeder, Inc				
Aceto Corporation-Class A	$11857.40		-	55262
	$811.16		-	55263
	$17785.52		-	55264
Eagle Select Fund Ltd	$11370.96		-	
	$108815.24		-	55268
Global Leverage-Class A	$133.01		-	58428
Asia Pacific Capital Strategies Fund				
NAV Aug 19	$7.1930		-	54668
Asia Pacific Securities Corp Ltd				
	$8.62		-	55256
Asian Convertibles & Income Fd (Cayman)				
NAV Aug 7	$15.18		-	34490
Atlantico Investment Ltd				
Atlantico Lopor Ptis Aug 22	$106.22		-	-
Atlantis Fund Management (Guernsey) Ltd				
	$7.24		-	49697
	$7.70		-	49698
	$78.45	83.29	-	-
Atlas Management Limited				
Managed	$11.46	12.00	-	47280
Aurum Funds				
c/o MeesPierson Fund Administration				
	$122.93		-	55267
	$52.67		-	55268
	$133.87		-	55269
BAS-EX Currency Fund Plc				
NAV (OEIC)	L100665		-	-
BEA Associates				
	$80.23		-	55202
	$80.40		-	55270

	Selling Price	Buying Price	Yield Gross	City-Line
Crosby Asset Management Ltd				
Asia Vision (o) Aug 18	$13.37		-	55733
	$9.34		-	50287
China Vision (o) Aug 18	$19.89		-	54683
Crystal Currency Fund Limited				
Gold Class NAV Aug 19	$1037.01		-	-
Silver Class NAV Aug 19	$1015.47		-	-
Crystal Corporation N.V.				
Str Class A/B Aug 19	$154.21	187.35	-	50204
Crystal Fund Managers (Bermuda) Ltd				
Crystal Fund Ltd				
Crystal I Jul 31	$12.21	12.86	0.00	48027
Colrosa Global Management Limited				
The Elger Fund (OEIC)	$1524.30		-	-
DWS Deutsche Ges. F. Wertpapiersp				
Invesco	DM159.86	158.43	-	44870
Provesta	DM234.85	244.25	-	44871
Inrenta	DM74.18	76.04	-	44872
Inter-Renta	DM35.51	36.58	-	45080
Daehan Investment Trust Co Ltd				
Korea Trust NAV Aug 16	$48.22		-	50295
Seoul Trust NAV Aug 19	$23.16		-	50296
	$8.60		-	49831
	$10.44		-	49832
	$7.37		-	47383
	$16.52		-	47346
Daiwa APT Japan Fund				
Daiwa APT Japan	$7.747	7.8801	-	47851
Daiwa Intl Capital Management (H.K.) Ltd				
Indonesia Equity NAV	$6.68		-	45148
Malaysia Equity NAV	$16.83		-	40584
	$14425.49		-	54354

	Selling Price	Buying Price	Yield Gross	City-Line
Global Asset Management				
Offshore Funds				
GAM Allweather	$100.38		-	-
GAM Arbitrage	$568.14		-	45101
GAM Asian	$424.09		-	45102
GAM Asian Dev Mkts	$101.46		-	49961
GAM Australia	$265.38		-	46100
GAM Bond £	£195.65		-	45137
GAM Bond DM	DM147.54		-	45136
GAM Bond SFr	SFr129.35		-	45134
GAM Bond US$ Ord	$183.33		-	45132
GAM Bond US$ Special	$220.83		-	45133
GAM Brasilia	$152.44		-	55083
GAM CSFF Inc	$110.73		-	-
GAM Capital Appreciation Inc	$130.68		-	-
GAM Cross Market	$182.61		-	49694
GAM Diversity	$279.68		-	47931
GAM Dollar & International	$109.19	110.61	-	-
GAM East Asia	$757.29		-	45113
GAM Emer Mkts Multi-Fd	$268.12		-	49665
GAM France	FFr2438.90		-	45108
GAM GAMCO	$407.93		-	45123
GAM High Yield	$217.72		-	45112
GAM Hong Kong Inc	$138.26		-	-
GAM Interest Trend Inc	$167.31		-	-
GAM Japan	$1125.58		-	45115
GAM Leveraged	$103.77		-	-
GAM Multi-Europe DM	DM210.00		-	49668
GAM Multi-Europe US$	$200.82		-	47125
GAM Multi-US US$	$125.56		-	49251
GAM Multi-US DM	DM153.53		-	49248
GAM Pacific	$1030.82		-	45121
GAM Pan Europa Fonds	SFr175.73		-	55384
GAM Pan European	$189.50		-	55385
GAM Science	$138.73		-	49253
GAM Selection	$888.29		-	45105
GAM £ Special Bond	£168.39		-	45867

OTHER OFFSHORE FUNDS

The Financial Times plans to publish a Survey on

France

on Monday, November 3

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FT Surveys

● MANAGED FUNDS NOTES

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 22 / Sch)

BELGIUM/LUXEMBOURG (Aug 22 / Frs.)

CZECH REP (Aug 22 / Koruna)

DENMARK (Aug 22 / Kr.)

FINLAND (Aug 22 / Mkk)

FRANCE (Aug 22 / Frs.)

GERMANY (Aug 22 / Dm.)

GREECE (Aug 22 / Drachma)

ITALY (Aug 22 / Lira)

NETHERLANDS (Aug 22 / Fls.)

NORWAY (Aug 22 / Kroner)

POLAND (Aug 22 / Zloty)

PORTUGAL (Aug 22 / Escudo)

SPAIN (Aug 22 / Pts.)

SWEDEN (Aug 22 / Kronor)

SWITZERLAND (Aug 22 / Frs.)

TURKEY (Aug 22 / TK Lira)

PACIFIC

JAPAN (Aug 22 / Yen)

HONG KONG (Aug 22 / H.K.$)

INDONESIA (Aug 22 / Rupiah)

MALAYSIA (Aug 22 / MYR)

NEW ZEALAND (Aug 22 / NZ $)

SINGAPORE (Aug 22 / S$)

AUSTRALIA (Aug 22 / Aust$)

SOUTH KOREA (Aug 22 / Won)

TAIWAN (Aug 22 / TW $)

THAILAND (Aug 22 / Baht)

AFRICA

SOUTH AFRICA (Aug 22 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 22 / Can $)

4 pm close

MONTREAL (Aug 22 / Can $)

4 pm close

INDICES

US INDICES

Dow Jones	Aug 22	Aug 21	Aug 20	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7887.91	7893.95	8021.23	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	103.87	103.99	103.87	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2937.02	2932.48	2932.32	3009.25 (6/8)	2222.07 (2/1)	3009.25 (6/8/97)	13.23 (8/7/32)
Utilities	231.35	229.41	232.56	240.85 (22/1)	209.47 (25/4)	258.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7904.86 (8043.08) Low 7896.35 (7834.02) (Theoretical‡)
Day's high 7993.71 (8023.09) Low 7716.49 (7847.49) (Actual‡)

Standard and Poors	Aug 22	Aug 21	Aug 20	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	923.54	925.05†	939.35	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials¶	1088.30	1088.58	1105.35	1130.76 (6/8)	885.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	105.26	106.41†	108.24	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	478.93	479.76	485.70	497.00 (6/8)	389.47 (11/4)	497.80 (6/8/97)	4.84 (25/4/42)
Amex Comp.	643.83	646.56	646.76	654.06 (6/8)	541.20 (28/4)	654.06 (6/8/97)	524.20 (16/7/96)
NASDAQ Cmp	1598.69	1607.36†	1628.70	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

RATIOS

	Aug 15	Aug 8	Aug 1	Year ago
Dow Jones Ind. Div. Yield	1.69	1.61	1.58	2.22
	Aug 20	Aug 13	Aug 6	Year ago
S & P Ind. Div. yield	1.50	1.53	1.47	2.02
S & P Ind. P/E ratio	25.75	25.27	26.35	21.74

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Compaq	8,035,100	66	+¼
K-Mart	6,703,600	14	+⅜
Gen Elec	5,592,200	64⅝	-1¼
Columb/HCA	4,945,100	32¼	-⅜
Philip Mrrs	4,083,000	43⅝	-⅝
IBM	3,679,200	104⅛	-1
Coca Cola	3,261,700	60	-½
Wal-Mart	3,214,200	36⅛	-⅛
Bay Network	3,109,500	35¼	+⅛
Texas Insts	3,105,300	117¾	-7¼

TRADING ACTIVITY

Volume (million)	Aug 22	Aug 21	Aug 20
New York SE	415.892	458.323	509.672
Amex	24.048	25.567	28.050
NASDAQ	(d)	713.695	723.219
NYSE			
Issues Traded	3,341	3,354	3,372
Rises	980	893	1,931
Falls	1,903	1,920	889
Unchanged	458	541	552
New Highs	64	147	205
New Lows	28	10	16

S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	926.00	928.15	-0.50	927.80	906.00	68,684	163,160
Dec	921.55	935.90	-0.65	938.50	916.00	1,940	12,616

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	18990.0	18610.0	-490.0	19020.0	18550.0	20,293	171,881
Dec	18990.0	18590.0	-500.0	18990.0	18550.0	4,052	28,881

Open Interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ... day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; ... highs and lows represent the highest and lowest values that the index has reached during the day. (The ...) ¶ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Friday, August 22, 1997

	Stocks Traded	Closing Prices	Change on day
Daito Kogyo	23.5m	3	
Sakura Bank	7.4m	750	-45
Nippon Steel Corp.	7.2m	311	+5
Fujitsu	5.7m	1590	-40
Obayashi Corp	4.8m	777	+11
Yamaichi Secs	4.8m	238	-7
NKK Corp	4.6m	191	-3
Toshoku	4.4m	107	-13
NEC Corp	4.4m	1540	-30
Aoki Corp	4.0m	64	-5

INDEX FUTURES

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4 pm close August 22

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
		- A -								
32 7/16	24 1/4	AAR x	0.48	1.4	26	142	33 25/32	33 1/2	33 11/16	
53 3/4	33 1/8	AMP x	1.04	2.0	42	4442	51 1/16	50 3/4	51 7/16	+1/16
110 3/4	72 1/4	AMR			8	4964	106 3/4	103 1/2	106 3/4	+7/16
37 5/8	29 1/2	ASA x	1.20	3.9	20	439	30 11/16	30 5/16	30 11/16	+1/8
66 13/16	49 3/4	Abbott	1.08	1.8	24	12500	61	59 3/4	60 11/16	-3/8
20 1/2	14 1/8	AbitibiC	0.40	2.2	9	431	18 1/8	17 7/8	18 1/2	-1/8
25	17 1/8	ABM Ind	0.40	1.6	22	31	24 5/8	24 1/2	24 5/8	+1/8
24 1/8	17 3/4	Acpencain			11	179	22	21 13/16	22	-1/16
87 1/4	56 1/8	ACE Ltd	0.88	1.0	11	746	85	82 1/2	85	+1 9/16
10 3/4	10	ACM Gvt In x	0.90	8.7	11	273	10 7/16	10 3/8	10 3/8	-1/16
8	7	ACM GrOpp x	0.63	8.5		208	7 11/16	7 7/16	7 7/16	-1/4
10 7/16	9 1/4	ACM Man x	0.90	9.1		227	9 15/16	9 13/16	9 15/16	
10 3/8	6 1/8	Acme Elect				17	6 3/8	6 5/16	6 5/16	-1/8
20	13	Acme Mills				94	14 7/16	14 1/8	14 5/16	-1/16
22 11/16	14	ACNielsen			39	659	21 7/8	21 3/4	21 7/8	-1/8
29 3/4	19 1/8	Acuson				1921	27	26 9/16	26 15/16	-1/4
24 3/8	19 3/8	Adams Expr x	0.56	2.3	1	312	23 3/4	23 9/16	23 5/8	-1/8
48 1/2	24 7/8	AdvMic				22076	42 1/8	39 3/4	41 13/16	-1/2
27 1/2	10 3/8	Advest Grp	0.12	0.5	16	340	22 3/4	22 1/16	22 3/8	-7/16
18 13/16	11 3/8	Advo Inc			17	112	18	17 1/4	18	+1/16
78 7/8	61 1/8	Aegon	1.31	1.7	28	1787	75 3/4	74	75	+11/16

NYSE PRICES

4 pm close August 22

Continued from previous page

1997 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close	Chng
34 3/16	27 1/4	StrlgSom				787	33 3/16	32 3/8	32 7/8	+1/8
12 3/16	7 5/8	StlMi Fin	0.12	1.2	10	28	9 3/4	9 5/8	9 3/4	-1/16
48 7/8	31 1/4	Stone&Web	0.60	1.3		142	45 7/8	45	45 1/4	-7/8
17 7/16	9 1/2	StrCmt				2771	17 1/8	16 3/4	17	-3/16
54 7/8	33 1/4	Strfco			14	1717	48 13/16	47 1/2	48 3/4	+1/4
57 1/4	28 3/8	Strtas			21	2477	53 1/4	51 1/2	53 1/4	+1/2
16 7/8	8 7/8	StrideRite x	0.20	1.6	67	2079	12 1/4	12	12 1/8	-3/16
22 7/8	14 7/8	SturmRg	0.80	4.0	20	328	20 3/16	19 15/16	20 1/4	-1/8
59 3/4	41	SumBcp	1.44	2.5	16	950	57 7/8	57	57 7/8	+1/16
6 3/16	4 1/4	Sun Energy x	0.08	1.5	8	66	5 3/4	5 1/2	5 1/2	-1/16
60 1/2	37	Sunmar	0.40	0.7	22	5163	54 1/4	53 5/8	53 13/16	-15/16
63 1/16	39 5/8	Sndstr	0.66	1.1	22	987	60	59 1/8	59 3/4	-1/2
54 1/4	41 3/4	SunBnd			30	334	49	48 1/8	48 5/8	-5/16
12 5/8	10 7/8	SunsourceA x	1.10	8.8	29	78	12 7/16	12 3/8	12 7/16	
64 7/8	44 1/8	Suntst	0.90	1.5	21	2030	61 3/4	60 1/2	61 1/4	+1/8
28 1/4	22 1/4	Superior	0.28	1.0	15	287	27 1/2	26 13/16	27 1/2	+1/4
41 7/8	28 3/4	Supvalu	1.04	2.5	15	1122	41 3/8	40 5/8	41 3/16	+5/8
28 13/16	19 3/4	SwissHelv	0.10	0.4		274	23 13/16	23 1/2	23 11/16	-3/16
37 1/8	28 1/2	Symbol Tec	0.04	0.1	22	988	31	30 1/4	30 3/4	-3/16
13 1/2	8 1/2	Syms Corp	0.20	1.5	18	181	13 1/8	12 5/8	13 1/8	+3/8
29	19 3/4	SynvFn	0.35	1.4	28	979	25 3/16	24 13/16	25 3/16	-1/8
39 7/16	29 1/4	Sysco	0.60	1.6	21	2694	38 13/16	35 1/4	38 13/16	+3/16

- T -

1997 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close	Chng
7 1/16	4	TCBY Enter	0.20	3.0	20	204	6 13/16	6 1/2	6 5/8	
54 5/8	37 1/2	TCF Fnanc x	1.00	1.9	19	914	53 3/16	51 3/4	52 5/8	-1 1/8
10	8 1/4	TCWDvSc	0.84	9.1		253	9 3/16	9 1/8	9 3/16	
87 1/4	65	TDK Corp A	0.45	0.5	42	18	83	82 1/2	82 3/4	-1 5/8
1 1/2	11/16	T I S Mtge				140	1 1/8	1 1/16	1 1/16	-1/16
30 3/4	19 1/4	TJX x	0.20	0.7	19	11145	27 3/8	26 1/4	27 3/8	+1/2
27 3/4	16 7/8	TNP Ent	0.96	4.1	9	40	23 3/4	23 11/16	23 3/4	

- U -

1997 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close	Chng
233 5/8	183 1/2	UniNW	4.35	2.0	24	1381	220	213 15/16	220	+2 3/8
61 13/16	45 1/8	UnCamp	1.80	3.0	71	1920	60	59 3/8	59 3/16	-1 1/16
56 13/16	40 1/2	UnCarb x	0.75	1.4	11	2940	53 1/4	52 1/4	52 15/16	-11/16
26 3/4	18 3/4	Union Corp			30	20	23 11/16	23 11/16	23 11/16	
53	48	UnEl 3.50	3.50	6.6		z0	53	53	53	
68 3/4	60	UnEl 4.50	4.50	6.5		z0	68 3/4	68 3/4	68 3/4	
39 3/4	34 1/2	UnElec	2.54	6.8	13	1644	37 1/4	36 5/8	37 1/8	
72 13/16	58 1/4	UnPac	1.72	2.5	20	2807	68 7/8	68	68 7/8	+1/4
53 7/16	38 1/4	UnionPlant	1.60	3.2	22	1779	49 13/16	49 1/8	49 13/16	-1/8
23 7/8	17 1/4	UnionTexas	0.20	0.9	11	1888	22 1/4	21 7/8	22 1/4	-1/8
11 3/16	5 3/4	Unisys				10601	10 15/16	10 5/8	10 13/16	-1/8
12 1/4	7 1/2	Unit Corp			25	936	11 11/16	11 3/8	11 11/16	
29 3/8	23 1/2	UtdAsset	0.74	2.8	18	1106	27 3/16	26 1/2	26 3/16	-7/16
16	13 3/8	UDomRlt	1.01	7.2	25	645	14 7/16	14 1/16	14 1/8	-1/16
28 1/16	23 3/8	UtdDomInd	0.20	0.7	14	38	26 7/8	26 1/2	26 7/8	+3/16
60 1/8	42 5/8	UtdHlc	0.03	0.1	24	6012	49 3/4	48 3/8	49 13/16	+1/4
35 3/8	23 3/4	UtdIllum	2.88	8.2	14	287	35 3/16	34 5/8	34 15/16	-1/8
9 1/4	5 7/8	UtdIndust x	0.28	3.1	13	40	8 13/16	8 13/16	8 13/16	
15 1/4	12 3/8	UK Fund	1.32	10.5		180	12 5/8	12 1/2	12 5/8	-3/16
25	10 7/8	UParkCity				49	24 7/8	24 1/8	24 13/16	+7/16
25 1/2	18 1/4	USF&G	0.28	1.2	18	2896	23 1/16	22 1/2	23 1/16	+1/16
39	25 3/4	US Filter			38	5979	35 7/8	35 1/2	35 7/8	-3/16
34 1/8	23	USHome			8	388	32 13/16	31 3/4	32 13/16	-1/8
47	29 1/2	USSurg	0.16	0.5	23	1654	34 1/16	33 1/4	33 13/16	-5/8
86 13/16	65 1/8	UtdTec x	1.24	1.6	20	5469	80 1/2	78 13/16	79 3/4	-1
19 13/16	15	UtdWater x	0.92	5.4	14	346	17 1/4	17	17 3/16	+3/16
77 1/2	28 7/8	Unitrde			43	1027	76 1/8	72 3/4	76 1/8	+1 13/16
39 1/2	32	Univ Foods x	1.04	2.7	15	609	38 1/16	37 7/16	37 15/16	
22 7/8	18 3/4	Univ Hlth	1.70	8.8	12	283	19 3/8	19 1/16	19 1/8	-7/16
38 7/8	27 7/8	Univl Crp	1.06	3.0	12	474	35 1/16	35	35 1/4	-3/16
45 3/4	36 1/8	Unocal	0.80	2.1	20	13332	38 13/16	37 13/16	38 13/16	+1/2
48 7/16	33 5/8	UNUM	0.57	1.3	20	834	42 5/8	41 7/16	42 1/4	-1/8
41 1/2	31 1/2	US Ind	0.05	0.1	14	1250	38 13/16	35 15/16	38 1/8	-13/16

- X - Y - Z -

1997 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close	Chng
84 1/2	51 1/2	Xerox	1.28	1.7	20	4971	76 3/4	74 3/16	76	-7/8
49	40 1/2	Xtra Corp x	0.80	1.7	18	80	47 7/16	46 7/8	47 1/4	+1/4
25	20 3/4	Yankee Egy	1.34	5.6	14	68	23 7/8	23 3/8	23 7/8	+3/8
58	37 7/8	York Int	0.48	1.1	14	786	45 3/8	45 1/16	45 3/16	-1/8
6 7/8	4	Zapata	0.28	4.7	50	148	6 1/16	5 7/8	6	
13 1/8	9 1/8	ZenithE				1197	10 11/16	10 3/8	10 11/16	
28 3/8	24 5/8	Zenith Nat	1.00	3.7	16	199	27 1/16	26 13/16	26 13/16	-7/16
8 1/16	7 1/8	Zenix Inc x	0.73	9.4		119	7 13/16	7 3/4	7 3/4	-3/16
28 3/4	17 3/4	Zero x	0.12	0.4	19	33	27 9/16	26 3/4	26 13/16	-7/16
12 3/8	10 3/4	ZweigFd	1.20	9.7		425	12 3/8	12 1/4	12 3/8	
9 1/16	8	Zweig Tot x	0.84	9.3		391	9	8 15/16	9	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

cl-new yearly low. P/E price-earnings ratio. xls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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AMEX PRICES

4 pm close August 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Adv Magn		112	50	11 3/8	11 1/8	11 1/8	-7/16
Almagd		3	16	8 13/16	8 7/8	8 13/16	
ConFabA		11	10	6 1/2	6 1/2	6 1/2	-1/8
CrossAT A	0.32	58	182	8 7/8	8 3/4	8 13/16	-1/16
Hasbro	0.32	17	15498	27 3/4	26 5/8	27 3/16	-13/16
Health Ch			4	13/16	3/4	3/4	-1/16
NY TmA	0.64	20	2794	48	47	48	+3/16
NVR		9	5	20	20	20	+1/8

NASDAQ NATIONAL MARKET

4 pm close August 22

- L -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Koll A			z0	1/8	1/8	1/8	
Komag		16	12541	17 1/2	16 3/4	17 1/8	-1/8
Kulick			10820	51	49	51	+1/8
Laboratory x	0.72	43	44	16 1/8	15 3/8	16	+1/4
Ladd Furn		21	571	15 15/16	15 3/4	15 3/4	
Lam Rsch		258	31	66	61 7/8	65 5/8	+2 1/8
Lancaster	0.72	17	360	49 1/2	48 3/4	49	-1/2
Lance	0.96	23	153	21 1/4	21	21 1/4	+1/4

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Quickslv		19	603	32	30 15/16	31 1/2	-3/16
Quintiles		184	5045	82 3/4	79 1/2	81	-2
Rainbow		14	276	18 3/4	18	18	-3/8
Rallys			845	2	1 7/8	1 7/8	-1/16
Raymond	0.25	16	z0	32 7/8	32 7/8	32 7/8	
RCSB Fin	0.60	17	420	48 1/16	47 1/4	48 1/16	-1/16
Read-Rite		27	13869	27 5/8	26	27 3/16	+1/2
Recoton		19	418	13 1/2	13	13 1/4	-1/4

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wyman-Gdn	0.40	36	1775	28	27 5/8	27 13/16	-1/16
Xilinx		36	22857	54	51	52 1/8	-1/8
Xircom		24	17485	15 1/4	14 1/8	14 1/2	-1 3/16
Xoma Corp			2947	6 1/8	6 1/16	6 3/16	-1/16
Yahoo			5120	56 1/8	53 1/8	55 11/16	-1/16
Yellow			2073	29	28 1/8	28 5/8	+1/4
York Rsch		18	916	6 1/8	5 3/4	6 1/8	-1/8
ZionsUtah	0.48	19	365	35 1/2	34 7/8	35 1/2	

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875		0	8.25	2.875	Lernout & Hauspie	US$28.125	-0.75	9350	34	25
Artwork Systems	US$8.25	-0.375	67262	11.125	8.25	Mercer Int'l	US$10.625		0	11.75	8.125
Chemunex	FFr10		0	18	10	NTL	US$21.75	-0.25	0	25.125	21.625
Debonair Holdings	GBP6.45	-0.1	0	7.15	4.5	PixTech	US$3.5	+0.125	750	6.125	3.375
Dr Solomon's ADS	US$24.375	-0.375	2000	28.375	16.875	Schoeller-Bleckmann	Sch1418	-25	125520	1443	900
EDAP TMS	US$7.1875	-0.125	0	9.125	6.9375	Topcall Int'l	Sch3110	-20	2800	3363	3065
Esprit Telecom ADS	US$5.75	-0.125	0	12.25	5.375	Turbodyne Technol.	US$4.05	+0.05	0	4.05	3.73
Innogenetics	US$10.5	-0.125	51550	12.75	10						

Prices for 22/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9890)

MONDAY 25

Netanyahu in Japan

Benjamin Netanyahu, the Israeli prime minister, begins a week-long visit to Japan and South Korea to discuss the Middle East peace process and bilateral relations with political and business leaders. His priority, however, will be to drum up more investment for his country and expand trade relations with Tokyo, which has been reluctant to deepen ties with Israel at the expense of its close links with oil-producing Arab states. Japan depends heavily on Middle East oil imports. Mr Netanyahu, who is leading a large Israeli business delegation, will meet Ryutaro Hashimoto, the Japanese prime minister, today and speak to the country's leading business association, the *Keidanren*. He will travel to Seoul on Wednesday, where he will meet Kim Young-sam, the president, and Koh Kun, the prime minister, as well as business leaders.

IMF tackles Albania

An International Monetary Fund mission is due to hold talks in Tirana on emergency funding for Albania's new Socialist-led coalition government. But Prime Minister Fatos Nano will have to launch a tough stabilisation programme before negotiations can start on a new medium-term IMF loan for Albania. The talks will focus on regulating the pyramid savings schemes that collapsed in January, triggering widespread violence and economic chaos. The Nano government is trying to restore order following a Socialist landslide at last month's general election. But it faces pressure to compensate savers who lost an estimated \$1.2bn in the fraudulent schemes.

Chinese network

More than 1,200 delegates have descended on Vancouver for the fourth World Chinese Entrepreneurs Convention (to 28). The convention serves as a venue for the Chinese business community to establish global networks, explore potential ventures and address important issues facing the community. It will be the first time the biennial event is held outside Asia. Key delegates include Mr Zheng Wan Tong, a member of the political consultative committee of the People's Republic of China, Mr Jing Shuping, chairman of the All-China Federation of Industry & Commerce, and Mr Stan Shih, chief executive of Acer, the Taiwanese computer manufacturer.

Nordic security talks

Ministers and diplomats from eight Nordic and Baltic rim countries meet in Helsinki for a two-day congress on regional security. The meeting, organised by the Nordic Council, will discuss the implications of Nato enlargement for the Baltic Sea region as well as ways of minimising the risk of armed conflict. The talks, to be opened by Finnish prime minister Paavo Lipponen, will also cover economic co-operation, pollution and the problem of unsafe nuclear power stations.

Li Peng, China's premier (left), with Goh Chok Tong, his Singapore counterpart, arrives in Singapore to discuss bilateral ties.

Li Peng visits Singapore

Li Peng, China's premier, is in Singapore on the second leg of his two-nation trip in Southeast Asia. He is due to meet Goh Chok Tong, the prime minister, and Lee Kuan Yew, the senior minister in Singapore's cabinet. Mr Li is using his trip in Southeast Asia (he visited Malaysia last week) to build relations with the nine-nation Association of South East Asian Nations and promote a "new political and economic order" in which poorer countries are not bullied by the more wealthy. Although he does not mention the US by name, it is clear Mr Li is seeking to balance Washington's power in the region by engaging Asean.

Politburo trial verdict

Berlin's district court is expected today to issue a verdict in the trial of three former members of the East German Politburo on charges of manslaughter in connection with the killing of people along the border which once divided the two Germanies. If found guilty, the three men, Egon Krenz, Günter Schabowski and Günther Kleiber, face sentences of up to nine years in prison. Mr Krenz, who in 1989 succeeded Erich Honnecker as first secretary of the SED, the East German communist party, has denied personal responsibility and said the trial was a case of "victor's justice".

UN hears Cuban claim

Members of the UN biological weapons convention meet in Geneva to consider Cuban accusations of "biological aggression" by the US. Havana claims a US crop-spraying aircraft last October deliberately released a damaging pest known as thrips palmi over Cuba. The insect, hitherto unknown in Cuba, ravages many types of crop and is resistant to a wide variety of pesticides. Washington denies the charge. The UN convention, ratified by 138 states, prohibits the production and use of biological weapons but contains no mechanism for international verification.

Taiwan's new cabinet

Taiwan will this week appoint a new cabinet during the ruling Nationalist party's 15th party congress. The move follows the resignation last week of the premier, Lien Chan. The new cabinet will be headed by Vincent Siew, a parliamentary legislator who has held the posts of economic planning minister and minister for China affairs. The cabinet reshuffle is likely to include the defence, foreign affairs and deputy premier posts. Economy, finance and central bank are expected to remain. The new cabinet will focus on improving ties with rival China, law and order and economic growth.

Canberra agenda

Australian federal politicians return to Canberra today after a two-month parliamentary break. John Howard, prime minister, has pushed income and indirect tax reform to the top of the agenda. Other issues due to come up in the session are amendments to the Native Title Act and a policy on industry, especially a decision on tariffs for the textile, clothing and footwear sectors.

Golf

New York Open (to September 7).

Public holidays

Summer bank holiday in the UK but not Scotland.

TUESDAY 26

El Niño looms large

The effect of El Niño weather system on the world's climate will be one of the main themes of an international climate conference that starts today in Geneva (to August 28). The World Meteorological Organisation, one of the conference sponsors, says this year's El Niño is shaping up to be the most important climate event of the century. The impact of El Niño, an abnormal surface temperature rise of the tropical Pacific, is already being felt in South America and east Asia. Researchers say the final consequences are likely to surpass those of the 1982-83 El Niño which severely affected crop production worldwide.

WEDNESDAY 27

Japan-Singapore talks

Goh Chok Tong, Singapore's prime minister, arrives in Japan for a four-day visit to discuss bilateral relations and regional issues ahead of the Japan-Asean summit in Malaysia in December. Mr Goh, one of the most active leaders in the Association of South East Asian Nations, will meet Ryutaro Hashimoto, Japan's prime minister on Friday. The two are expected to talk about the recent currency crisis in Thailand and other Southeast Asian markets and regional concerns about the strength of Japan's commitment to help prevent further currency havoc.

Venice on screen

Film buffs will be descending on Venice for this year's film festival which has already pronounced that the emphasis is going to be on top quality, not top names. The festival (to September 6) organisers have emphasised that it is not just for the photographers. Having said that among the top names on the bill will be Demi Moore, Woody Allen and Emma. The few star-filled productions are Woody Allen's *Deconstructing Harry*, with Demi-Moore, Robin Williams and the director himself; Mike Figgis' *One Night Stand* with Nastassja Kinski and Wesley Snipes, and Alan Rickman's *The Winter Guest* with Emma Thompson.

Cook in Southeast Asia

Robin Cook, the UK foreign secretary, is due to pay a two-day official visit to Malaysia at the start of a Southeast Asian tour which will take in Indonesia, the Philippines and Singapore. Mr Cook, on his first visit to the region since the Labour Party took power, will deliver a key speech in Kuala Lumpur which will set out strands of UK policy toward Southeast Asia. He is expected to discuss with regional leaders Asean's diplomatic efforts to promote stability in Cambodia since a recent coup in that country. He also intends to discuss efforts to promote reform in Burma.

China trade talks

Japanese and Chinese negotiators to begin three-day talks in Tokyo on issues related to Beijing's bid to join the World Trade Organisation. Japan's support for China's application is crucial.

Show jumping

European show jumping championships (to August 31), Mannheim, Germany.

THURSDAY 28

Bonn-Paris meeting

Progress towards European monetary union will be the focus of a meeting in Bonn between Helmut Kohl, German chancellor, and Lionel Jospin, the new French prime minister. Relations between the two countries have been ruffled in recent months as Bonn viewed with concern an apparent softening in France's determination to meet exactly the financial criteria set for members of the proposed Euro currency block. Mr Kohl may well see the meeting as an opportunity to reinforce the Bonn/Paris relationship.

FRIDAY 29

Tokyo textbook ruling

Tokyo Supreme Court is due to hand down a ruling on controversial case about textbook censorship filed 13 years ago by a leading historian, Saburo Ienaga. Mr Ienaga, now 83, filed a damages suit against the government in 1984 over revisions made to school texts he authored - in particular, censorship of items dealing with Japanese atrocities in China in the 1930s. Mr Ienaga is seeking Y2m in compensation for the mental anguish caused by the revision of his texts, and has specifically challenged eight of more than 400 revisions demanded by the Education Ministry to his textbooks between 1980 and 1983. Among them is the ministry's deletion of a passage stating that Japanese soldiers killed large numbers of Chinese civilians and soldiers and "not a few" Japanese officers and soldiers raped Chinese women.

WEEKEND 30-31

Sudan peace bid

Omar el-Bashir, president of Sudan, plans to meet John Garang, leader of the rebel Sudan People's Liberation Movement, on Saturday in a bid to end the country's 14 year-old civil war. The talks will be hosted in Pretoria by Nelson Mandela, the South African president, and Yoweri Museveni, the Ugandan president. Mr Museveni, a staunch critic of the Bashir regime, was instrumental in supporting the rebel forces which toppled Mobutu Sese Seko, the former Zairean despot earlier this year. His participation in Mr Mandela's mediation effort has raised hopes Mr Garang will attend the meeting.

Rocking on

Elvis is back again. This time Bonhams, the London auctioneers, is on Saturday offering Presley fans one of the largest collections of his possessions, stage suits and memorabilia to be collected in one sale. The sale features the collection of Paul Lichter, the Elvis fan, author and collector, and includes two of the pop star's most lavish stage suits. The Peacock suit is expected to fetch between £90-000-£120,000 and the Turquoise Phoenix suit £80,000-£90,000. The auction will be held simultaneously, via a live satellite link, at the Hard Rock Cafe, Berlin.

Compiled by Bob Vincent
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ECONOMIC DIARY

Other economic news

Monday: US existing home sales are thought to have rebounded last month after June's decline. The Swedish trade balance is forecast to have changed little last month.

Tuesday: US durable goods orders are not expected to have risen as quickly last month as they did in June, as aircraft orders subsided. US consumer confidence is thought to have remained high in July.

Wednesday: Britain's trade deficit with the rest of the world is forecast to have widened in June, although the non-EU deficit should have declined in the following month.

Thursday: US gross domestic product growth is expected to be revised upwards from the annualised 2.2 per cent provisionally estimated for the second quarter. Growth in the Netherlands is meanwhile thought to have accelerated between the first and second quarters.

Friday: The French unemployment rate is thought to have unchanged in July. Personal income growth in the US is thought to have slowed in July.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	July consumer price index final*	-0.2%	-0.2%
Aug 25	France	July consumer price index final**	1.0%	1.0%
	Germany	August Hesse cost of living*	0.0%	0.5%
	Germany	August Hesse cost of living**	1.7%	1.6%
	Sweden	June trade balance	SKr9bn	SKr13.6bn
	Germany	August prelim cost of living West*	-0.05%	0.4%R
	Germany	August prelim cost of living West**	1.8%	1.7%R
Tues	US	July durable orders	+0.2%	2.3%
Aug 26	US	July durable shipments		1.8%
	Canada	July department store sales**	10.4%	10.4%
Wed	UK	June global visible trade	-£890m	-£508m
Aug 27	UK	July ex-EU visible trade	-£638m	-£713m
	UK	July UK harmonised con price index		1.7%
	Canada	Industrial production price index*	-0.1%	-0.2%
	Canada	July raw materials price index	-0.5%	-2.3%
	Japan	Aug wholesale price ind (2nd 10 days)		0.0%
Thurs	A'tralia	Q2 current account balance	-A\$2.9bn	A\$4.6bn
Aug 28	A'tralia	Q2 private new capital expenditure	2.3%	6.5%
	France	June trade balance SA	FFr14bn	FFr16.5bn
	Thailand	June exports-BOP**		0.7%
	Thailand	June imports-BOP**		-10.2%
	Thailand	July M2**		14.2%
	US	Q2 gross domestic product preliminary	+3.3%	2.2%
	US	Q2 gross domestic product price index	+1.4%	1.4%
	US	Q2 after tax corporate profit	+2.2%	2.9%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	US	Initial claims 23 August		337K
	Canada	June fix-weight employee earnings**	0.7%	0.0%
	US	M2 – wk ended 18 August		\$5.0bn
	Neths	Q2 gross domestic product prelim***	2.5%	-0.5%
	Neths	Q2 gross domestic product prelim**	3.2%	2.1%
Fri	Japan	Aug consumer price index (Tokyo)**	1.6%	1.4%
Aug 29	Japan	July consumer price index (nation)**	1.7%	2.2%
	Japan	July CPI (nation) ex-perishables**	1.9%	2.0%
	Japan	July Unemployment rate	3.5%	3.5%
	Japan	July industrial production SA	1.2%	-3.2%
	France	July unemployment rate	12.6%	12.6%
	France	June industrial production SA*	0.5%	-1.6%
	France	June industrial prod-ex energy*	0.7%	-1.7%
	Italy	Q2 preliminary gross domestic prod***	0.8%	-0.2%
	US	July personal income		0.3%
	Canada	Q2 real gross domestic prod***, SA	4.4%	3.4%
	US	July new home sales	812K	819K
During the week...				
	Japan	July supermarket sales**		-5.1%
	Japan	July dept store sales**		-4.7%
	Germany	July icon consumer climate		91.0
	Germany	June trade balance	DM10.0bn	DM9.8bn
	Germany	June current account	DM1.0bn	DM-2.5bn
	Italy	June total bank lending		2.4%

*month on month, **year on year, ***qtr on qtr, †seasonally adjusted. *Statistics, Standard & Poor's MMS.*

JOTTER PAD

MONDAY PRIZE CROSSWORD

No.9,462 Set by DANTE

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday September 4, marked Monday Crossword 9,462 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. *Solution on Monday September 8.* Please allow 28 days for delivery of prizes.

Name...

Address...

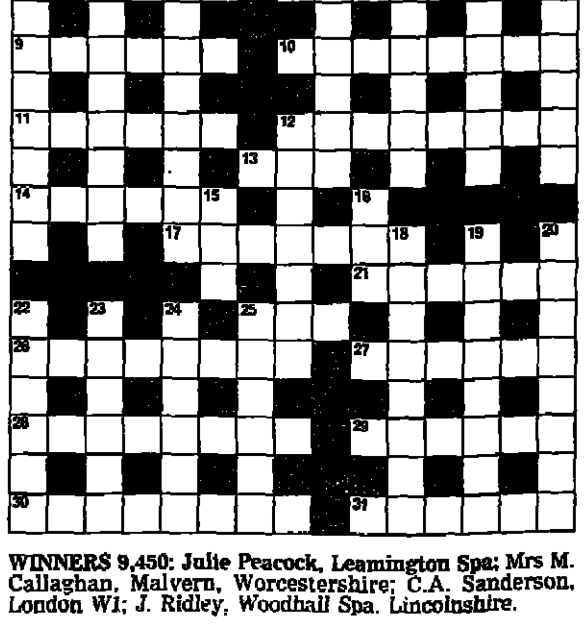
....

ACROSS

1 Lower or upper garment (6)
4 Co-operation shown by players with practice (8)
9 Withdraw from the general retreat (6)
10 Spoils Worcestershire opener's time at the crease (8)
11 It's still not making you weep (6)
12 One reeks terribly of paraffin (8)
13 Man's chains can be cast off (3)
14 Rental adjusted for the head branch (6)
17 Is splitting the country, but facing the facts (7)
21 Worked in fields, but got laid off (6)
25 A deity to follow in retreat (3)
26 Court awards fortune to railway (8)
27 Ten-foot sea midget (6)
28 Shocked when dismissed by newspaper boss (8)
29 Part of the mass is identified with St Francis (6)
30 I need to think, and I want to look (3,3,3)
31 She turned to stone (6)

DOWN

1 One in jam here sadly is a doleful character (8)
2 Make a fresh appearance (8)
3 Technician born in a disturbed reign (8)
5 No longer lies about being outcasts (6)
6 Guide team over the hill (6)
7 Cats required – there are sixteen in the pound (6)
8 Musical destiny (6)
12 There's pleasure after the game but he spoilt it (7)
15 Traveller in cloth? (3)
16 A quiet wood (3)
18 Wielding the mop is the devil (8)
19 Double gin and It. drunk - producing a glow? (8)
20 Acceptance of notice before election (8)
22 Artistic group in Rugby? (6)
23 A good man in the mine, but too old for the job nowadays (4,2)
24 Wild capers may get you into one (6)
25 Fat, it is said, of the land (6)



WINNERS 9,450: Julie Peacock, Leamington Spa; Mrs M. Callaghan, Malvern, Worcestershire; C.A. Sanderson, London W1; J. Ridley, Woodhall Spa, Lincolnshire.

Solution 9,450